

*In the opinion of Holland & Knight LLP, Bond Counsel, assuming compliance with certain arbitrage rebate and other tax requirements referred to herein, under existing law, interest on the Series 2019 Bonds is excludable from gross income for federal income tax purposes and will not be treated as an item of tax preference in computing the alternative minimum tax on certain taxpayers other than corporations (as defined for federal income tax purposes). Interest on the Series 2019 Bonds could be subject to the consequences of other provisions of the Internal Revenue Code of 1986, as amended, as further described herein. See “TAX MATTERS” herein.*

**\$68,935,000**

**HIGHER EDUCATIONAL FACILITIES FINANCING AUTHORITY (FLORIDA)**

**Educational Facilities Revenue and Revenue Refunding Bonds**

**(Saint Leo University Project),**

**Series 2019**



**Dated: Date of Delivery**

**Due: March 1, as shown on the inside front cover**

**See Inside Front Cover for Maturities, Amounts, Interest Rates, Yields, Prices and Initial CUSIP Numbers**

The Higher Educational Facilities Financing Authority (the “Issuer”) is issuing \$68,935,000 in aggregate principal amount of its Educational Facilities Revenue and Revenue Refunding Bonds (Saint Leo University Project), Series 2019 (the “Series 2019 Bonds”), under that certain Indenture of Trust, dated as of May 1, 2019 (the “Bond Indenture”), between the Issuer and U.S. Bank National Association, as trustee (in such capacity, the “Trustee”). The Series 2019 Bonds will be issued only in the form of fully registered bonds, without coupons, in denominations of \$5,000 or any integral multiple thereof and initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Interest on the Series 2019 Bonds is payable semiannually on March 1 and September 1 of each year, commencing on September 1, 2019. The Series 2019 Bonds will bear interest at the rates set forth on the inside front cover of this Official Statement. Payment of principal and interest on the Bonds will be made to Cede & Co., as registered owner, by the Trustee.

Proceeds of the Series 2019 Bonds will be loaned to Saint Leo University Incorporated, a Florida not for profit corporation (the “University”), pursuant to a Loan Agreement dated as of May 1, 2019 (the “Loan Agreement”) between the Issuer and the University, and will be applied, together with other available money of the University, to: (a) finance and refinance a portion of the cost of the 2019 Project (as hereinafter defined), (b) refinance its obligations related to the Refunded Bonds (as hereinafter defined) and thereby refund the Refunded Bonds, (c) capitalize a portion of interest on the Series 2019 Bonds and (d) pay costs of issuance related to the Series 2019 Bonds, all in accordance with the provisions of the Bond Indenture.

Except as described in this Official Statement, the Series 2019 Bonds will be limited obligations of the Issuer payable solely from and secured exclusively by funds pledged thereto under the Bond Indenture, payments to be made by the University pursuant to the Loan Agreement and an obligation of the University (the “Series 2019 Note”), issued pursuant to the Master Trust Indenture (Security Agreement) dated as of May 1, 2019 (the “Master Indenture”), between the University and U.S. Bank National Association, as master trustee (in such capacity, the “Master Trustee”) and that certain First Supplemental Master Trust Indenture dated as of May 1, 2019, between the University and the Master Trustee (“Supplement No. 1” and, together with the Master Indenture, as amended and supplemented from time to time, the “Master Indenture”). The Series 2019 Note shall be payable on a parity with additional Obligations (as defined in the Master Indenture) outstanding from time to time under the Master Indenture. To secure the prompt payment of the principal of, redemption premium, if any, and the interest on the Obligations and the performance by each Member of the Obligated Group of its other obligations under the Master Indenture, (i) the University, as the Initial Obligated Group Member has pledged, assigned and granted to the Master Trustee a security interest in its University Revenues and (ii) each additional Member of the Obligated Group shall pledge, assign and grant to the Master Trustee a security interest in its Revenues.

Certain of the Series 2019 Bonds are subject to optional redemption, mandatory redemption and extraordinary optional redemption prior to maturity, as described herein.

**THE SERIES 2019 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND NEITHER THE ISSUER, THE STATE OF FLORIDA, NOR ANY POLITICAL SUBDIVISION OF THE STATE OF FLORIDA SHALL BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2019 BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT UNDERTAKEN BY THE ISSUER EXCEPT TO THE EXTENT THAT THE MONEYS PAID PURSUANT TO THE LOAN AGREEMENT AND PLEDGED IN THE INDENTURE ARE SUFFICIENT THEREFOR. NO OWNER OF ANY SERIES 2019 BOND HAS THE RIGHT TO COMPEL ANY EXERCISE OF TAXING POWER OF THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, TO PAY THE SERIES 2019 BONDS OR THE INTEREST THEREON, AND THE SERIES 2019 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE ISSUER, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OF THE STATE OF FLORIDA OR A LOAN OF CREDIT OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION. THE ISSUER HAS NO TAXING POWER.**

Investment in the Series 2019 Bonds is subject to certain risks. See “BONDHOLDERS’ RISKS” herein.

This cover page contains limited information for quick reference only. It is not, and is not intended to be, a summary of the matters relating to the Series 2019 Bonds. Potential investors must read the entire Official Statement (including the cover page and all appendices attached hereto) to obtain information essential to the making of an informed investment decision.

*The Series 2019 Bonds are offered when, as, and if issued by the Issuer and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without any notice, and subject to the approving opinion of Holland & Knight LLP, Lakeland, Florida, Bond Counsel. Certain legal matters will be passed upon for the Issuer by Squire Patton Boggs (US) LLP, Tampa, Florida. Certain legal matters will be passed upon for the University by the Office of General Counsel of the University. Certain legal matters will be passed upon for the Underwriter by Foley & Lardner LLP, Jacksonville, Florida. PFM Financial Advisors LLC, Charlotte, North Carolina, has served as Financial Advisor to the University in connection with the issuance of the Series 2019 Bonds. The Series 2019 Bonds are expected to be delivered through the book-entry system of DTC on or about May 16, 2019.*

**MORGAN STANLEY**

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES AND INITIAL CUSIP NUMBERS**

**\$68,935,000  
HIGHER EDUCATIONAL FACILITIES FINANCING AUTHORITY  
(FLORIDA)  
EDUCATIONAL FACILITIES REVENUE AND REVENUE REFUNDING BONDS  
(SAINT LEO UNIVERSITY PROJECT),  
SERIES 2019**

**\$17,610,000 Serial Bonds**

<b>Maturity (March 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>Initial CUSIP No.*</b>
2021	\$1,105,000	5.00%	2.13%	105.015	34073TKZ9
2022	1,160,000	5.00	2.20	107.538	34073TLA3
2023	1,220,000	5.00	2.27	109.861	34073TLB1
2024	1,280,000	5.00	2.34	111.987	34073TLC9
2025	1,345,000	5.00	2.42	113.860	34073TLD7
2026	1,415,000	5.00	2.53	115.320	34073TLE5
2027	1,485,000	5.00	2.62	116.671	34073TLF2
2028	1,555,000	5.00	2.72	117.717	34073TLG0
2029	1,635,000	5.00	2.84	118.346	34073TLH8
2030	1,715,000	5.00	2.97 <sup>C</sup>	117.133 <sup>C</sup>	34073TLJ4
2031	1,805,000	5.00	3.09 <sup>C</sup>	116.027 <sup>C</sup>	34073TLK1
2032	1,890,000	5.00	3.21 <sup>C</sup>	114.933 <sup>C</sup>	34073TLL9

**\$51,325,000 Term Bonds**

\$16,170,000 5.00% Term Bonds maturing March 1, 2039 Yield 3.60%<sup>C</sup> Price 111.461<sup>C</sup> CUSIP No.\* 34073TLM7

\$15,445,000 5.00% Term Bonds maturing March 1, 2044 Yield 3.68%<sup>C</sup> Price 110.764<sup>C</sup> CUSIP No.\* 34073TLN5

\$19,710,000 5.00% Term Bonds maturing March 1, 2049 Yield 3.73%<sup>C</sup> Price 110.332<sup>C</sup> CUSIP No.\* 34073TLP0

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<sup>C</sup> Price and yield to the first optional redemption date of March 1, 2029.

\* Initial CUSIP numbers have been assigned to the Series 2019 Bonds by an organization not affiliated with the Issuer and are included solely for the convenience of the owners of the Series 2019 Bonds. Neither the Issuer, the Underwriter nor the University is responsible for the selection or use of the CUSIP numbers set forth herein nor is any representation made as to the accuracy of the CUSIP numbers as to the Series 2019 Bonds or as indicated above.

**HIGHER EDUCATIONAL FACILITIES FINANCING AUTHORITY  
(FLORIDA)  
Educational Facilities Revenue and Revenue Refunding Bonds  
(Saint Leo University Project),  
Series 2019**

**BOND COUNSEL**

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Lakeland, Florida

**COUNSEL TO THE ISSUER**

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**COUNSEL TO THE UNIVERSITY**

Kelly Hill, General Counsel  
Saint Leo, Florida

**FINANCIAL ADVISOR**

PFM Financial Advisors LLC  
Charlotte, North Carolina

**BOND TRUSTEE AND MASTER TRUSTEE**

U.S. Bank National Association  
Orlando, Florida

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No dealer, broker, salesman or any other person has been authorized by the Issuer, the University or the Underwriter to give any information or to make any representation, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer, the University, the Underwriter or any other person. Except as otherwise indicated, the information contained in this Official Statement, including in the appendices, has been obtained from representatives of the Issuer (but only with respect to the information under the captions "THE ISSUER," "LITIGATION - The Issuer" and "DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS"), the University, the Underwriter, DTC and from public documents, records and other sources considered to be reliable.

This Official Statement does not constitute a contract between the Issuer, the University, or the Underwriter and any one or more owners of the Series 2019 Bonds, nor does it constitute an offer to sell or the solicitation of an offer to buy the Series 2019 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such jurisdiction.

The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guaranty the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the University since the date hereof or the earliest date as of which such information is given. Any statements in this Official Statement involving estimates, assumptions and matters of opinion, whether or not expressly stated, are intended as such and not as representations of fact.

THE SERIES 2019 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE BOND INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2019 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE SERIES 2019 BONDS HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2019 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

U.S. Bank National Association, as Bond Trustee and Master Trustee, has not provided, reviewed or approved any information in this Official Statement. U.S. Bank National Association makes no representation as to the contents, accuracy, fairness or completeness of this Official Statement. U.S. Bank National Association has not evaluated the risks or propriety of any investment in the Series 2019 Bonds; and U.S. Bank National Association makes no representation as to the suitability or investment quality of the Series 2019 Bonds for any investor, the technical or financial feasibility or performance of the 2019 Project, or compliance with any securities, tax or other laws or regulations, about all of which U.S. Bank National Association expresses no opinion and expressly disclaims the expertise to evaluate.

In making an investment decision, investors must rely on their own examination of the University and the terms of the offering, including the merits and risks involved.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2019 BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2019 BONDS OFFERED HEREBY AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE SERIES 2019 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The order and placement of information in this Official Statement, including the appendices, are not an indication of relevance, materiality or relative importance, and this Official Statement, including the appendices, must be read in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provision or section in this Official Statement.

This Official Statement is being provided to prospective purchasers either in bound printed form ("Original Bound Format") or in electronic format on the following websites: [WWW.MUNIOS.COM](http://WWW.MUNIOS.COM) and [WWW.EMMA.MSRB.ORG](http://WWW.EMMA.MSRB.ORG). Prospective purchasers may rely on the information contained in this Official Statement in the Original Bound Format or in electronic format; provided, however, that prospective purchasers must read the entire Official Statement (including the cover page and all appendices attached hereto) to obtain all of the information essential to the making of an informed investment decision.

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## **OFFICIAL STATEMENT**

*relating to*

**\$68,935,000**

### **HIGHER EDUCATIONAL FACILITIES FINANCING AUTHORITY (FLORIDA) EDUCATIONAL FACILITIES REVENUE AND REVENUE REFUNDING BONDS (SAINT LEO UNIVERSITY PROJECT), SERIES 2019**

## **INTRODUCTION**

### **General**

The purpose of this Official Statement, including the cover page, inside cover page, and the appendices attached hereto, is to provide certain information in connection with the issuance and sale by the Higher Educational Facilities Financing Authority (the “Issuer”) of \$68,935,000 principal amount of its Educational Facilities Revenue and Revenue Refunding Bonds (Saint Leo University Project), Series 2019 (the “Series 2019 Bonds”).

*This Introduction is not a summary of this Official Statement and is intended only for quick reference. It is only a brief description of and guide to, and is qualified in its entirety by reference to, the more complete and detailed information contained in the entire Official Statement, including the cover page and the appendices attached hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement and of the documents summarized or described herein, if necessary. The offering of the Series 2019 Bonds to potential investors is made only by means of the entire Official Statement, including the appendices attached hereto. No person is authorized to detach this Introduction from this Official Statement or to otherwise use it without the entire Official Statement, including the appendices attached hereto.*

All capitalized terms used and not otherwise defined herein shall have the meanings assigned thereto in the hereinafter defined Master Indenture or the Bond Indenture, as applicable.

### **Authority for Issuance**

The Series 2019 Bonds are issued under the authority of and in full compliance with the Constitution of the State of Florida (the “State”), the Higher Educational Facilities Financing Act, Part II, Chapter 243, Florida Statutes, as amended (the “Financing Act”) and Part II, Chapter 159, Florida Statutes, as amended (to the extent applicable), and other applicable provisions of law (collectively, the “Act”) and pursuant to Resolution No. 2019-2 adopted by the Issuer on May 1, 2019. The Series 2019 Bonds are also governed by the terms and conditions of that certain Indenture of Trust dated as of May 1, 2019 (the “Bond Indenture”), between the Issuer and U.S. Bank National Association, as trustee (in such capacity, the “Trustee”). See “APPENDIX D - FORM OF BOND INDENTURE” attached hereto.

## **The Issuer**

The Issuer is a public body corporate and politic of the State chartered in 2001 pursuant to the Financing Act. Among the purposes of the Financing Act, as stated therein, is to provide a measure of assistance and an alternative method enabling private institutions of higher education of the State to provide the facilities and structures that they need and to enable those institutions to coordinate their budgetary needs with the timing of receipt of tuition revenues. See “THE ISSUER” herein.

## **The University**

The University is an accredited private, Catholic, co-educational institution of higher learning located in Pasco County, Florida that offers degrees at the baccalaureate level. The University is a Florida not for profit corporation and a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). See “THE UNIVERSITY” herein and “APPENDIX A - GENERAL INFORMATION REGARDING SAINT LEO UNIVERSITY” attached hereto.

## **Purpose of the Series 2019 Bonds**

Proceeds of the Series 2019 Bonds will be loaned to the University pursuant to a Loan Agreement dated as of May 1, 2019 (the “Loan Agreement”), between the University and the Issuer, and applied, together with other available money of the University, to: (a) finance and refinance a portion of the cost of the 2019 Project (as defined herein), (b) refinance its obligations related to the Refunded Bonds (as defined herein) and thereby refund the Refunded Bonds, (c) capitalize a portion of the interest on the Series 2019 Bonds and (d) pay costs of issuance related to the Series 2019 Bonds, all in accordance with the provisions of the Bond Indenture. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

## **Description of the Series 2019 Bonds**

The Series 2019 Bonds will be dated the date of their delivery, will be issued only in the form of fully registered bonds, without coupons, in denominations of \$5,000 or any integral multiple of \$5,000 in excess thereof and, and will bear interest at the rates set forth on the inside front cover of this Official Statement. Interest on the Series 2019 Bonds is payable semiannually on March 1 and September 1 of each year, commencing on September 1, 2019. See “DESCRIPTION OF THE SERIES 2019 BONDS - General” herein.

Certain of the Series 2019 Bonds are subject to optional redemption, mandatory redemption and extraordinary optional redemption prior to maturity, as described herein. See “DESCRIPTION OF THE SERIES 2019 BONDS - Redemption Provisions” herein.

The Series 2019 Bonds initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Purchases of beneficial ownership interests in the Series 2019 Bonds will be made in book-entry form only and purchasers will not receive physical delivery of bond certificates representing the beneficial ownership interests in the Series 2019 Bonds so purchased. Payments of principal of, and interest on, any Series 2019 Bond will be made to Cede & Co., as nominee for DTC as registered owner of the

Series 2019 Bonds, by U.S. Bank National Association, as registrar and paying agent, to be subsequently disbursed to the Beneficial Owners (as defined herein) of the Series 2019 Bonds. See “BOOK-ENTRY ONLY SYSTEM” herein.

### **Sources of Payment for the Series 2019 Bonds**

The Series 2019 Bonds will be issued under and are equally and ratably secured by the Bond Indenture, which creates a lien on all money and securities (except the Rebate Fund) held from time to time by the Trustee for the benefit of the holders of the Series 2019 Bonds pursuant to the Bond Indenture. Pursuant to the Bond Indenture, the Issuer will assign to the Trustee substantially all of its right, title and interest in and to the Loan Agreement, including all right to receive loan payments to be made by the University, but reserving to the Issuer the Reserved Rights, which Reserved Rights may be enforced by the Issuer or the Trustee pursuant to the Loan Agreement.

The obligations of the University under the Loan Agreement will be secured by an obligation of the University (the “Series 2019 Note”), issued pursuant to the Master Trust Indenture (Security Agreement) dated as of May 1, 2019 (the “Master Trust Indenture”), between the University and U.S. Bank National Association, as master trustee (in such capacity, the “Master Trustee”) and that certain First Supplemental Master Trust Indenture dated as of May 1, 2019, between the University and the Master Trustee (“Supplement No. 1” and, together with the Master Trust Indenture, as amended and supplemented from time to time, the “Master Indenture”). The Series 2019 Note shall be secured and payable on a parity with additional Obligations outstanding from time to time under the Master Indenture. As of the date of issuance of the Bonds, the Series 2019 Note will be the only Obligation outstanding under the Master Indenture.

Pursuant to the assignment and pledge, under the Bond Indenture, of payments upon the Series 2019 Note and under the Loan Agreement, the Issuer will direct the University to make payments, under the Series 2019 Note and the Loan Agreement directly to the Trustee when and as the same become due and payable under the terms of the Series 2019 Note and the Loan Agreement. To secure the prompt payment of the principal of, redemption premium, if any, and the interest on the Obligations and the performance by each Member of the Obligated Group of its other obligations under the Master Indenture, (i) the University, as the Initial Obligated Group Member has pledged, assigned and granted to the Master Trustee a security interest in its University Revenues and (ii) each additional Member of the Obligated Group shall pledge, assign and grant to the Master Trustee a security interest in its Revenues. See “SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS” herein and “APPENDIX C - FORMS OF THE MASTER INDENTURE AND SUPPLEMENT NO. 1,” “APPENDIX D - FORM OF BOND INDENTURE,” and “APPENDIX E - FORM OF LOAN AGREEMENT” attached hereto.

### **Limited Obligations**

**THE SERIES 2019 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND NEITHER THE ISSUER, THE STATE OF FLORIDA, NOR ANY POLITICAL SUBDIVISION OF THE STATE OF FLORIDA SHALL BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2019 BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION**

**OR AGREEMENT UNDERTAKEN BY THE ISSUER EXCEPT TO THE EXTENT THAT THE MONEYS PAID PURSUANT TO THE LOAN AGREEMENT AND PLEDGED IN THE BOND INDENTURE ARE SUFFICIENT THEREFOR. NO OWNER OF ANY SERIES 2019 BOND HAS THE RIGHT TO COMPEL ANY EXERCISE OF TAXING POWER OF THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, TO PAY THE SERIES 2019 BONDS OR THE INTEREST THEREON, AND THE SERIES 2019 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE ISSUER, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OF THE STATE OF FLORIDA OR A LOAN OF CREDIT OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION. THE ISSUER HAS NO TAXING POWER.**

### **Continuing Disclosure**

The University has undertaken all responsibility for any continuing disclosure to Beneficial Owners of the Series 2019 Bonds, as described below, and the Issuer will have no liability to such Beneficial Owners of the Series 2019 Bonds or any other person with respect to such disclosures.

In order to assist the Underwriter (as defined herein) in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “SEC”) promulgated pursuant to the Securities Exchange Act of 1934, as in effect on the date hereof (the “Rule”), simultaneously with the issuance of the Series 2019 Bonds, the University will enter into a Continuing Disclosure Agreement (the “Disclosure Agreement”) for the benefit of the Beneficial Owners, under which the University will provide continuing disclosure with respect to the Series 2019 Bonds. Digital Assurance Certification LLC will serve as the dissemination agent (the “Dissemination Agent”) pursuant to the Disclosure Agreement. See “CONTINUING DISCLOSURE” herein and “APPENDIX F - FORM OF CONTINUING DISCLOSURE AGREEMENT” attached hereto.

### **Other Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and the appendices attached hereto contain brief descriptions of, among other matters, the Issuer, the University, the Series 2019 Bonds, and the sources of payment for the Series 2019 Bonds, the Master Indenture, Supplement No. 1, the Bond Indenture, the Loan Agreement and the Disclosure Agreement. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions, statutes, the Master Indenture, Supplement No. 1, the Bond Indenture, the Loan Agreement and the Disclosure Agreement and other documents are intended as summaries only and are qualified in their entirety by reference to such documents, and references herein to the Series 2019 Bonds are qualified in their entirety by reference to the form thereof included in the Bond Indenture.

## **THE ISSUER**

### **General**

The Issuer is a public body corporate and politic created and existing under the laws of the State pursuant to the provisions of Chapter 243, Part II, Florida Statutes, as amended. The Issuer

is authorized to issue the Series 2019 Bonds and to secure the Series 2019 Bonds by an assignment of payments to be received by it under the Loan Agreement and the Series 2019 Note. In order to accomplish the foregoing, the Issuer is authorized to enter into the Bond Indenture and the Loan Agreement.

Among the purposes of the Financing Act, as stated therein, is to provide a measure of assistance and an alternative method enabling private institutions of higher education of the State to provide the facilities and structures that they need and to enable those institutions to coordinate their budgetary needs with the timing of receipt of tuition revenues.

### **Indebtedness of the Issuer**

The Issuer has previously issued and may in the future issue bonds to finance facilities that may compete with the University. Each series of bonds issued by the Issuer is payable only from revenues provided by the institution for which such series was issued, and general funds of the Issuer are not available for the payment of such bonds.

### **Limited Obligations**

**THE SERIES 2019 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND NEITHER THE ISSUER, THE STATE OF FLORIDA, NOR ANY POLITICAL SUBDIVISION OF THE STATE OF FLORIDA SHALL BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2019 BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT UNDERTAKEN BY THE ISSUER EXCEPT TO THE EXTENT THAT THE MONEYS PAID PURSUANT TO THE LOAN AGREEMENT AND PLEDGED IN THE BOND INDENTURE ARE SUFFICIENT THEREFOR. NO OWNER OF ANY SERIES 2019 BOND HAS THE RIGHT TO COMPEL ANY EXERCISE OF TAXING POWER OF THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, TO PAY THE SERIES 2019 BONDS OR THE INTEREST THEREON, AND THE SERIES 2019 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE ISSUER, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OF THE STATE OF FLORIDA OR A LOAN OF CREDIT OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION. THE ISSUER HAS NO TAXING POWER.**

### **Limited Role of Issuer in Financing**

Neither the Issuer nor its directors, officers, or agents control or participate in any way in the management of the operations of the University. The role of the Issuer in the financing is limited to issuance of the Series 2019 Bonds and payment of the Series 2019 Bonds solely from the limited sources specified in the Bond Indenture.

The Issuer assumes no responsibility as to the accuracy, adequacy or completeness of the information in this Official Statement, other than with respect to the accuracy of the information related to the Issuer under this caption and “LITIGATION – The Issuer” and “DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS” herein.

## **THE UNIVERSITY**

The University, an accredited private, Catholic, co-educational institution of higher learning, is a Florida not for profit corporation and a tax-exempt charitable organization under Section 501(c)(3) of the Code. The University's main campus is located in Saint Leo, Florida, approximately 35 miles north of Tampa, Florida (the "Campus"), with online and education center programs. The University offers degrees at the associate, baccalaureate, masters and doctoral levels. The current fiscal year of the University begins on July 1 in each year and ends on June 30 in the following year (the "Fiscal Year").

The University was founded in 1889 and is the first Catholic university in the State, which offers a liberal arts-based education for students of all faiths. In 1967, the University was first accredited by the Southern Educational Association. As of January, 2019, approximately 10,000 students were enrolled at the University seeking a degree, comprised of approximately 2,000 Campus students and approximately 8,000 online and educational center students. The University offers 142 programs in total across the Campus, online and educational centers. In 1973, the University began serving college courses and degree programs to the military. Currently, approximately 3,000 men and women of the armed forces, veterans and their family members are enrolled in various degree programs.

See "APPENDIX A - GENERAL INFORMATION REGARDING SAINT LEO UNIVERSITY" attached hereto for additional information regarding the University, including a description of its history and background, governance, administration, faculty and employees, academic programs and campus life, admissions and enrollment, selected financial information and other pertinent information and "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY FOR THE YEARS ENDED JUNE 30, 2018, 2017 AND 2016" attached hereto for the University's comparative audited financial statements for the Fiscal Years ended June 30, 2018, 2017 and 2016, respectively.

## **DESCRIPTION OF THE SERIES 2019 BONDS**

### **General**

The Series 2019 Bonds will be dated, will bear interest at the rates per annum and, subject to the redemption provisions set forth below, will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. Interest on the Series 2019 Bonds is to be computed on the basis of a 360-day year consisting of twelve thirty-day months. Interest on the Series 2019 Bonds will be payable semi-annually on March 1 and September 1, commencing September 1, 2019, until maturity or prior redemption.

The Series 2019 Bonds are issuable as fully registered bonds, without coupons, in denominations of \$5,000 or any integral multiple of \$5,000 in excess thereof. The Series 2019 Bonds will be initially issued in the form of a single fully-registered certificate for each maturity of the Series 2019 Bonds. Upon initial issuance, the ownership of the Series 2019 Bonds will be registered in the bond register kept by the Trustee in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). See "BOOK-ENTRY ONLY SYSTEM" below.

Interest payments on the Series 2019 Bonds shall be made to the registered owner thereof appearing on the bond registration books maintained by the Trustee as of the close of business on the fifteenth day of the calendar month preceding the Interest Payment Date; provided, however, that such payments shall be made by check or draft of the Trustee mailed to the address of such registered owner as it appears on the bond registration books maintained by the Trustee or to any owner of \$1,000,000 or more in aggregate principal amount of Series 2019 Bonds as of the close of business on the fifteenth day of the calendar month immediately preceding the Interest Payment Date upon which such interest is due and payable and shall be made, by transfer sent on the Interest Payment Date, to such owner; provided, that if there is a default in the payment of interest due on the Series 2019 Bonds, such defaulted interest shall be payable to the person in whose name the Series 2019 Bond is registered as of the close of business on a subsequent date fixed by the Trustee (the “Special Record Date”) that is at least 10 and not more than 15 days before the date set for the payment of such defaulted interest. Notice of any Special Record Date will be given to the registered owner thereof not later than 10 days before the Special Record Date. For so long as the Series 2019 Bonds are registered in the book entry only system maintained by DTC, principal of and interest will be paid directly to DTC, which will in turn remit such payments to the DTC Participants (as described below) for subsequent distribution to the beneficial owners. See “BOOK-ENTRY ONLY SYSTEM” below.

Principal of, redemption price, and interest on the Series 2019 Bonds are payable in any lawful money of the United States of America or by check payable in such money.

## Redemption Provisions

Optional Redemption. The Series 2019 Bonds maturing on or after March 1, 2030 are subject to optional redemption prior to maturity beginning on March 1, 2029 at the option of the Issuer, upon written direction from the University, as a whole or in part at any time, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date set for redemption.

Sinking Fund Installments. The Series 2019 Bonds maturing on March 1, 2039 are subject to mandatory redemption prior to maturity, in part by lot, at a Redemption Price equal to 100% of the principal amount of such Series 2019 Bonds to be redeemed, together with accrued interest to the date fixed for redemption, on March 1, 2033 and on each March 1 thereafter from the following Sinking Fund Installments in the years specified:

March 1, 2039 Maturity	
Year	Sinking Fund Installment
2033	\$1,985,000
2034	2,085,000
2035	2,190,000
2036	2,300,000
2037	2,415,000
2038	2,535,000
2039*	2,660,000

\*Final Maturity

The Series 2019 Bonds maturing on March 1, 2044 are subject to mandatory redemption prior to maturity, in part by lot, at a Redemption Price equal to 100% of the principal amount of such Series 2019 Bonds to be redeemed, together with accrued interest to the date fixed for redemption, on March 1, 2040 and each March 1 thereafter from the following Sinking Fund Installments in the years specified:

March 1, 2044 Maturity	
Year	Sinking Fund Installment
2040	\$2,795,000
2041	2,935,000
2042	3,080,000
2043	3,235,000
2044*	3,400,000
*Final Maturity	

The Series 2019 Bonds maturing on March 1, 2049 are subject to mandatory redemption prior to maturity, in part by lot, at a Redemption Price equal to 100% of the principal amount of such Series 2019 Bonds to be redeemed, together with accrued interest to the date fixed for redemption, on March 1, 2045 and each March 1 thereafter from the following Sinking Fund Installments in the years specified:

March 1, 2049 Maturity	
Year	Sinking Fund Installment
2045	\$3,565,000
2046	3,745,000
2047	3,935,000
2048	4,130,000
2049*	4,335,000
*Final Maturity	

Extraordinary Redemption. The Series 2019 Bonds are subject to extraordinary optional redemption in whole or in part at any time by the Issuer, at the option of the University at a Redemption Price equal to 100% principal amount thereof plus accrued interest thereon to, but not including, the date set for redemption, from the proceeds of insurance or condemnation awards in excess of \$1,000,000 in the event the Project (including the 2019 Project and the Refunded Projects) shall have been damaged or destroyed, condemned or taken by eminent domain, in whole or in part, and the University shall have elected to redeem such Series 2019 Bonds, or any portion thereof, under the Bond Indenture as permitted by the Loan Agreement; provided, however, any redemption of a particular series of Bonds shall be made pro rata based upon aggregate outstanding principal amounts among Bonds, Notes and other indebtedness issued by or on behalf of the University, if more than one series of Bonds and/or Notes and/or other indebtedness issued by or on behalf of the University financed or refinanced such Project or portions thereof.

Purchase In Lieu of Redemption. Any Series 2019 Bonds called for optional redemption as permitted by the Bond Indenture (as set forth above under the heading “Optional Redemption”) and of the Series 2019 Bonds may be purchased by the University or any other party designated in



writing by the University, on the date upon which such Series 2019 Bonds were to have been redeemed (the “Purchase in Lieu of Redemption Date”), at a purchase price equal to the Redemption Price that would have been payable had such Series 2019 Bonds been redeemed on such date, upon delivery by the University to the Trustee of a Favorable Opinion of Bond Counsel (as defined in the Bond Indenture) with respect thereto. The University shall have given written notice on or before the designated Purchase in Lieu of Redemption Date to the Trustee of the aggregate principal amount of the Series 2019 Bonds, if any, for which an election to purchase is being made. Series 2019 Bonds to be purchased which are not delivered by the Bondholders thereof to the Trustee on the Purchase in Lieu of Redemption Date shall nevertheless be deemed to have been so purchased, and the purchaser of such Series 2019 Bonds shall be the owner of such Bonds, and interest accruing on such Series 2019 Bonds on and after the Purchase in Lieu of Redemption Date shall be paid solely to the purchaser of the Series 2019 Bonds or any assignee(s) of its interest in such Series 2019 Bonds. Any Series 2019 Bonds purchased or deemed purchased pursuant to the Bond Indenture shall remain Outstanding.

### **Notice of Redemption**

The Trustee shall give notice of any redemption of the Series 2019 Bonds at least 20 days before the redemption date to the registered owners of the Series 2019 Bonds to be redeemed. The Trustee shall give additional notice of the redemption of the Series 2019 Bonds in accordance with any regulation or release of the Municipal Securities Rulemaking Board or other governmental board or body from time to time applicable to the Series 2019 Bonds; provided, however, failure to give such notice shall not in any manner defeat the effectiveness of a call for redemption. Failure to give any such notice to any of such registered owners or any defect therein shall not affect the validity of the proceedings for the redemption of any Series 2019 Bonds as to which notice was properly given. Notwithstanding the foregoing or any other provision of the Bond Indenture, redemption of the Series 2019 Bonds may, upon direction of the University to the Trustee, be conditioned upon the occurrence or non-occurrence of such event or events as shall be specified in such notice of optional redemption and may also be subject to rescission upon direction of the University to the Trustee if expressly set forth in such notice.

### **Effect for Call for Redemption**

On the date designated for redemption, notice having been given as provided in the Bond Indenture and any conditions to such redemption having been satisfied, the Series 2019 Bonds or portions of the Series 2019 Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Series 2019 Bonds or such portions thereof on such date and, if moneys for the payment of the redemption price and accrued interest are held by the Trustee as provided in the Bond Indenture, interest on such Series 2019 Bonds or such portions thereof so called for redemption shall cease to accrue, such Series 2019 Bonds or such portions thereof so called for redemption shall cease to be entitled to any benefit or security under the Bond Indenture, and the registered owners thereof shall have no rights in respect of such Series 2019 Bonds or such portions thereof so called for redemption except to receive payment of the redemption price thereof and the accrued interest thereon solely from such funds so held by the Trustee. If a portion of the Series 2019 Bonds shall be called for redemption, a new Series 2019 Bond or Series 2019 Bonds in aggregate principal amount equal to the unredeemed portion

hereof, of the same series and maturity and bearing interest at the same rate, shall be issued to the registered owner upon the surrender thereof.

### **Registration, Transfer and Exchange**

The Bonds shall be negotiable instruments for all purposes and shall be transferable by delivery, subject only to the provisions for registration and registration of transfer endorsed on the Bonds. The Issuer shall cause books for registration and the registration of transfer of the Bonds to be prepared. The registration books shall be kept by the Registrar. The holder of any Bond may register such Bond only upon such books.

If any Bond is surrendered to the Registrar at its Principal Office for transfer or exchange in accordance with the provisions of such Bond, the Issuer shall execute and the Registrar shall authenticate and deliver in exchange for such Bond a new Bond or Bonds of the same maturity, in any Authorized Denominations, bearing interest at the same rate and having the same stated maturity date, in aggregate principal amount equal to the principal amount of the Bond so surrendered, upon reimbursement to the Issuer or the Registrar of an amount equal to any tax or other governmental charge required to be paid with respect to such exchange (other than exchanges of Bonds upon partial redemption not involving any transfer).

Neither the Issuer nor the Registrar shall be required to register the transfer of any Bond or make any such exchange of (i) any Bond during the 15 days preceding the date of mailing of any notice of redemption unless the transferee acknowledges in writing the matters contained in such notice or (ii) any Bonds selected or called for redemption in whole or in part, except in the case of any Bond to be redeemed in part, the portion thereof not so to be redeemed.

All mutilated Bonds, all Bonds surrendered for exchange or transfer, all Bonds that have been paid at maturity or upon prior redemption and all Bonds surrendered to the Trustee for cancellation or purchased by the Trustee with amounts on deposit in the Sinking Fund Account or the Redemption Fund shall be canceled by the Registrar or the Trustee (as the case may be) and destroyed. The Registrar or the Trustee (as the case may be) shall deliver to the Issuer or the University, upon its request, a Certificate of any such destruction of any Bond, identifying the Bond so canceled and cremated or otherwise destroyed.

### **Selection of Series 2019 Bonds for Redemption**

If fewer than all of the Bonds are to be redeemed, except as otherwise expressly provided herein, the University, on behalf of the Issuer, shall select the particular maturities of the Bonds (and may in its discretion treat each Sinking Fund Installment as a maturity) or the portions of maturity or maturities (including Sinking Fund Installments) of Bonds to be redeemed. If fewer than all of the Bonds of any one maturity shall be called for redemption, the Trustee shall select the particular Bonds or portions of Bonds to be redeemed from such maturity by lot or in such other manner as the Trustee in its discretion may deem proper; provided, however, that the portion of any Bond remaining outstanding after such redemption shall be in an Authorized Denomination for such Bond; and provided further that, in selecting Bonds for redemption, the Trustee shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by the minimum denomination for Bonds.

## BOOK-ENTRY ONLY SYSTEM

*The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC and neither the Issuer, the University nor the Underwriter make any representation or warranty or take any responsibility for the accuracy or completeness of such information.*

DTC will act as securities depository for the Series 2019 Bonds. The Series 2019 Bonds will be issued as fully-registered securities, registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2019 Bond certificate will be issued for each maturity of the Series 2019 Bonds as set forth on the inside front cover of this Official Statement, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2019 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2019 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2019 Bonds, except in the event that use of the book-entry system for the Series 2019 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2019 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019 Bonds, DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2019 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2019 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2019 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond Indenture. For example, Beneficial Owners of Series 2019 Bonds may wish to ascertain that the nominee holding the Series 2019 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2019 Bonds within a series or maturity of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series or maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Series 2019 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Paying Agent on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest on the Series 2019 Bonds, as applicable, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2019 Bonds at any time by giving reasonable notice to the Issuer or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2019 Bond certificates are required to be printed and delivered.

The Issuer may, at the direction of the University, decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2019 Bonds certificates will be printed and delivered to DTC.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2019 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE HOLDER OF THE SERIES 2019 BONDS OR REGISTERED OWNERS OF THE SERIES 2019 BONDS SHALL MEAN DTC AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2019 BONDS.

The Issuer, the University, and the Paying Agent and Registrar do not have any responsibility or obligation to the Direct Participants, Indirect Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (b) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Series 2019 Bonds; (c) the delivery or timeliness of delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner, which is required or permitted under the terms of the Bond Indenture to be given to Holders; or (d) any consent given or other action taken by DTC, or its nominee, Cede & Co., as Holders.

NONE OF THE ISSUER, THE UNIVERSITY OR THE TRUSTEE SHALL HAVE ANY OBLIGATION WITH RESPECT TO ANY DEPOSITORY PARTICIPANT OR BENEFICIAL OWNER OF THE SERIES 2019 BONDS DURING SUCH TIME AS THE SERIES 2019 BONDS ARE REGISTERED IN THE NAME OF A SECURITIES DEPOSITORY PURSUANT TO A BOOK-ENTRY ONLY SYSTEM OF REGISTRATION.

## **PLAN OF FINANCE**

### **General**

Proceeds of the Series 2019 Bonds will be applied, together with other available money of the University, to: (a) finance and refinance a portion of the Cost of the 2019 Project, (b) refinance its obligations related to the Higher Educational Facilities Financing Authority Revenue Refunding Bonds (Saint Leo University Project), Series 2012A and 2012B (the “Refunded Bonds”), and thereby refund the Refunded Bonds, (c) capitalize a portion of the interest on the Series 2019 Bonds and (d) pay costs of issuance related to the Series 2019 Bonds, all in accordance with the provisions of the Bond Indenture. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

### **2019 Project**

A portion of the proceeds of the Series 2019 Bonds will be used to fund a portion of the “2019 Project,” which means the acquisition, construction and equipping of projects authorized by

Section 243.52(3), Florida Statutes, which includes the acquisition, construction, and equipping of various educational facilities, including, without limitation, an approximately 52,000 square feet wellness center, including without limitation, a fitness center, basketball courts, multi-purpose rooms and a recreational pool, and other capital improvement to the educational facilities of the University that are essential or convenient for the operations of the University, all on the Campus of the University, and other costs and expenses of the issue as authorized by Section 243.52(4), Florida Statutes. A portion of the proceeds are also expected to be used to finance an expansion or addition of the University's dining facility. The University may add, delete and modify projects and the application of Series 2019 Bond proceeds, consistent with applicable tax regulations. If the actual cost of the 2019 Project is less than the University's estimates, the Project may be expanded to include other equipment and capital improvements comprising part of the University's master plan. For additional information regarding certain components of the 2019 Project, see "2019 Project" in Appendix A attached hereto.

### **Refunded Bonds and Refunded Projects**

A portion of the proceeds of the Series 2019 Bonds will be issued to refund the Refunded Bonds, which was issued by the Issuer to loan the proceeds thereof to the University to finance or refinance the acquisition, construction and equipping of various educational facilities at the Campus, including, without limitation, dormitories, academic buildings, parking facilities, a student community center, chiller plant and other structures, essential or convenient for the operations of the University.

To accomplish the refunding, a portion of the proceeds of the Series 2019 Bonds will be paid to the holders of the Refunded Bonds in amounts sufficient to redeem the Refunded Bonds on the issue date of the Series 2019 Bonds in accordance with the terms of the financing documents.

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## **SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS**

### **General**

The Series 2019 Bonds are being issued by the Issuer under and pursuant to the Bond Indenture. The Series 2019 Bonds and all payments to be made thereon and into the various funds and accounts established under the Bond Indenture are not general obligations of the Issuer but are special limited obligations payable solely from payments or prepayments derived by the Trustee from the Trust Estate (it being understood that such rights or payments do not include the Reserved Rights or the amount on deposit in the Rebate Fund).

### **Trust Estate**

In order to secure the payment of all amounts owing under and with respect to the Series 2019 Bonds and the payment and performance by the University of all of its obligations with respect to the Series 2019 Bonds and the Loan Agreement, the Issuer has, without warranty, pledged, granted, assigned and conveyed unto the Trustee all of the Issuer's right, title and interest to the Trust Estate, with the exception of the Reserved Rights and any amounts on deposit in the Rebate Fund. Pursuant to the Bond Indenture, the Trust Estate includes: (a) all right, title and interest of the Issuer in and to the Loan Agreement (except for Reserved Rights), including, but not limited to, the present and continuing right to make claim for, collect, receive and receipt for any of the sums, amounts, income, revenues, issues and profits and any other sums of money payable or receivable under the Loan Agreement (except for such sums payable to the Issuer under its Reserved Rights), to bring actions and proceedings thereunder or for the enforcement thereof, and to do any and all things which the Issuer is or may become entitled to do under the Loan Agreement; (b) all right, title and interest of the Issuer in and to the Series 2019 Note (except for amounts payable thereunder to the Issuer under the Reserved Rights); (c) all right, title and interest of the Issuer in and to all moneys and securities from time to time held by the Trustee under the terms of the Bond Indenture, other than moneys held in the Rebate Fund; and (d) any and all other property rights and interests of every kind and nature from time to time hereafter by delivery or by writing of any kind granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, mortgaged, pledged, hypothecated or otherwise subjected hereto, as and for additional security herewith, by the University or any other person on its behalf or with its written consent or by the Issuer or any other person on its behalf or with its written consent, and the Trustee is authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Bond Indenture.

There is, however, expressly excepted and excluded from the Trust Estate, the Reserved Rights which include the Issuer's rights relating to indemnification, as described in Section 8.04 of the Loan Agreement, and payment of fees and expenses, including, without limitation, the reasonable attorneys' fees for any continuing duties or obligations of the Issuer related in any respect to the Series 2019 Bonds, the Loan Agreement, the Bond Indenture or any other documents executed in connection therewith, including, without limitation, any supplements or amendments to the foregoing, after the issuance of the Series 2019 Bonds and related to any administration and enforcement of the Issuer's rights under the Loan Agreement. See "APPENDIX E - FORM OF LOAN AGREEMENT" herein.

Investment in the Series 2019 Bonds is subject to certain risks. See “BONDHOLDERS’ RISKS” herein.

### **Funds and Accounts under the Bond Indenture**

The Bond Indenture establishes the following funds and accounts for the benefit of the Holders of all Series 2019 Bonds Outstanding under the Bond Indenture:

- (a) Project Fund;
- (b) Debt Service Fund, and therein the Interest Account, Principal Account and Sinking Fund Account;
- (c) Redemption Fund; and
- (d) Rebate Fund.

See “APPENDIX E - FORM OF BOND INDENTURE” herein for more information.

### **The Master Indenture and the Obligations**

Master Indenture. The Master Indenture is intended to provide assurance for the repayment of obligations entitled to its benefits by imposing financial and operating covenants which restrict the Obligated Group Members and by the appointment of the Master Trustee to enforce such covenants for the benefit of the holders of such obligations.

The Master Indenture provides for the issuance, from time to time, by the University, as the Initial Obligated Group Member, and any other Members of the Obligated Group, of promissory notes, bonds, guarantees and other evidences of indebtedness (collectively, the “Obligations”) of several series in order to secure the financing or refinancing of educational and related facilities and for other lawful and proper corporate purposes of the Initial Obligated Group and any other Members of the Obligated Group. The Members shall be jointly and severally liable with the Initial Obligated Group Member and all other Members of the Obligated Group for the payment of the Obligations and the performance of all covenants contained in the Master Indenture and in such Obligations. As of the date of this Official Statement the University is the sole Member of the Obligated Group; however, upon the satisfaction of certain conditions set forth in the Master Indenture, additional entities may become Members. In addition, Members of the Obligated Group, other than the University, may withdraw from the Obligated Group upon the satisfaction of certain conditions set forth in the Master Indenture. The Master Indenture contains very limited covenants and restrictions. See “APPENDIX C - FORMS OF MASTER INDENTURE AND SUPPLEMENT NO. 1” for more information.

To secure the prompt payment of the principal of, redemption premium, if any, and the interest on the Obligations and the performance by each Member of the Obligated Group of its other obligations under the Master Indenture, (i) the University, as the Initial Obligated Group Member has pledged, assigned and granted to the Master Trustee a security interest in its University Revenues and (ii) each additional Member of the Obligated Group shall pledge, assign and grant to the Master Trustee a security interest in its Revenues.



“University Revenues” or “Revenues” means, with respect to the Initial Obligated Group Member, all revenues, fees, rentals, charges and other income, rights to the payment of money, receivables, accounts, chattel paper and instruments and all proceeds from them (whether cash or non-cash) that are owned or received by the Initial Obligated Group Member in connection with or as a result of its ownership or operation of its facilities and businesses, all as calculated in accordance with generally accepted accounting principles, including, without limitation, revenue derived from operation of the Initial Obligated Group Member, tuition, bookstore sales and student fees, and gifts, donations, grants, pledges, legacies, bequests, devises and contributions (herein collectively, “Gifts”) and interest earnings thereon which do not contain restrictions on their use for payment of principal and interest on indebtedness of Initial Obligated Group Member. The term “University Revenues” or “Revenues,” when used with respect to any other Member of the Obligated Group, shall be construed to have the same meaning but with reference to such Member rather than to the Initial Obligated Group Member.

As additional security for its obligation to pay amounts due on Obligations, the University has agreed to hold for the benefit of the holders of Obligations, a fund designated as the “Revenue Fund.” The University agrees to make payments of the University Revenues directly into the Revenue Fund promptly following receipt of such moneys by the University. Pursuant to the Master Indenture, the University has granted to the Master Trustee on behalf of the holders of the Obligations a lien on and security interest in all moneys deposited in the Revenue Fund to secure its obligations under the Master Indenture, including but not limited to the obligation to make payments pursuant to the Obligations issued under the Master Indenture. The University has agreed to all times maintain accounting records reflecting the source of University Revenues for all amounts deposited into the Revenue Fund from time to time and provide to the Master Trustee copies of such records (or reports of the contents thereof) on an annual basis. Provided no Event of Default shall have occurred and be continuing under the Master Indenture, the University has authority to draw upon moneys in the Revenue Fund for use for any lawful purpose.

Pursuant to the Master Indenture, if a payment Event of Default has occurred and is continuing, and any grace period applicable thereto has expired, any Revenues of the Obligated Group, or with respect to the Initial Obligated Group Member, its University Revenues, then received and any such Revenues thereafter received, shall not be commingled or deposited but shall immediately, or upon receipt, be transferred by the Members of the Obligated Group on a daily basis to the Master Trustee and deposited into the Revenues Account as provided in the Master Indenture. Such daily deposits shall continue until such event of default described in the preceding sentence has been cured. Any such proceeds on deposit with the Master Trustee shall be disbursed by the Master Trustee pursuant to the Master Indenture. Upon a cure or waiver of the Event of Default, which required the funding of such Revenues Account, the Master Trustee shall transfer the amounts on deposit in the Revenues Account to or at the direction of the Obligated Group Representative. See “APPENDIX C - FORMS OF THE MASTER INDENTURE AND SUPPLEMENT NO. 1” attached hereto.

*The Series 2019 Note.* To evidence the University’s obligation with respect to the Loan Agreement, the University will issue the Series 2019 Note. The Issuer’s rights under the Series 2019 Note will be assigned to the Trustee for the benefit of the Holders of the Series 2019 Bonds and will become part of the Trust Estate pledged under the Bond Indenture relating to the Series 2019 Bonds.

Pursuant to the assignment and pledge, under the Bond Indenture, of payments upon the Series 2019 Note and under the Loan Agreement, the Issuer will direct the University to make payments under the Series 2019 Note and the Loan Agreement directly to the Trustee when and as the same become due and payable under the terms of the Series 2019 Note and the Loan Agreement. The obligations of the University under the Series 2019 Note and the Loan Agreement are secured by and payable on a parity with any additional Obligations outstanding from time to time under the Master Indenture.

*Rates and Charges.* Each Member of the Obligated Group will covenant and agree in the Master Indenture to operate all of its Facilities on a revenue-producing basis and to charge such tuition, fees and rates for its Facilities and services and to exercise such skill and diligence, including obtaining payment for services provided, as to provide income from its Property together with other available funds sufficient to pay promptly all payments of principal and interest on its Indebtedness, all expenses of operation, maintenance and repair of its Property and all other payments required to be made by it under the Master Indenture to the extent permitted by law. Each Member of the Obligated Group further will covenant and agree that it will from time to time as often as necessary and to the extent permitted by law, revise its rates, fees and charges in such manner as may be necessary or proper to comply with the provisions of the Master Indenture.

*Negative Pledge.* Pursuant to the Master Indenture, the Initial Obligated Group Member will covenant that it shall not without the express consent of the Holders of at least a majority in aggregate principal amount of all Obligations outstanding, pledge the real property of its core campus in Saint Leo, Florida and more particularly described in the Master Indenture, to secure any indebtedness, whether by means of mortgage, deed of trust, or security agreement or otherwise, until all of the Obligations and the Obligated Group's obligations to the Master Trustee under the Master Indenture shall have been made in full, or sufficient funds therefor (including investment obligations and investment income) are held in trust for such payment.

*Liquidity Covenant.* The Master Indenture requires the Obligated Group to maintain, as of the last day of each Fiscal Year of the University (each, a "Testing Date"), Available Assets to Long-Term Indebtedness (as each term is defined herein) at least equal to forty percent (40%) (the "Liquidity Requirement").

"Available Assets" means the sum of all cash and cash equivalents, investments and assets held by trustees under bond indenture agreements, less all permanently restricted net assets of the University not available to pay debt service on Long-Term Indebtedness, all as shown on the audited financial statements of the University, determined in accordance with generally accepted accounting principles.

"Consultant" means a professional consulting, accounting, investment banking or commercial banking firm or individual selected by the Obligated Group Representative having the skill and experience necessary to render the particular report required and having a favorable reputation for such skill and experience, which firm or individual does not control any Member of the Obligated Group and is not controlled by or under common control with any Member of the Obligated Group.

“Long-Term Indebtedness” means all obligations and indebtedness incurred or assumed by any Member of the Obligated Group including Guaranty Debt, for any of the following: (i) money borrowed for an original term, or renewal at the option of the borrower for a period from the date originally incurred, longer than one year; (ii) leases which are required to be capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one year; provided, however, that non-financing leases shall be excluded; (iii) installment sale or conditional sale contracts having an original term in excess of one year and which exceeds an amount of \$100,000; and (iv) Short-Term Indebtedness if there exists a commitment by an institutional lender whose long-term, unsecured debt obligations are rated not less than "A" (without regard to any rating refinement or gradation by numerical modifier or otherwise) by any of the Rating Agencies to provide financing to retire such Short-Term Indebtedness and such commitment provides (i) terms and conditions that can be reasonably met by such Member of the Obligated Group to incur such Indebtedness, as certified in an Officer's Certificate filed with the Master Trustee and (ii) for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness; provided, however, that any Guaranty by any Member of the Obligated Group of any obligation of any Person which obligation would, if it were a direct obligation of such Member of the Obligated Group, constitute Short Term Indebtedness or Non-Recourse Indebtedness shall be excluded; provided, further that Long-Term Indebtedness shall not include non-capitalized leases, regardless of their treatment for accounting purposes.

If on any Testing Date the Available Assets to Long-Term Indebtedness is less than the Liquidity Requirement, the Obligated Group Representative shall, within 210 days after such Testing Date, deliver an Officer's Certificate approved by a resolution of the Governing Body of the Obligated Group Representative to the Master Trustee setting forth in reasonable detail the reasons for such deficiency and adopting a specific plan setting forth steps to be taken designed to satisfy the Liquidity Requirement for future Testing Dates.

If the Obligated Group has not raised satisfied the Liquidity Requirement by the next Testing Date immediately subsequent to delivery of the Officer's Certificate required in the preceding paragraph, the Obligated Group Representative shall, within 30 days after receipt of the Officer's Certificate disclosing such deficiency, select a Consultant to make recommendations with respect to the rates, fees and charges of the Obligated Group and the Obligated Group's methods of operation and other factors affecting its financial condition in order to satisfy the Liquidity Requirement for future Testing Dates. A copy of the Consultant's report and recommendations, if any, shall be filed with the Master Trustee within 90 days after the date such Consultant is actually engaged. Each Member of the Obligated Group shall follow each recommendation of the Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of such Member) and permitted by law.

Notwithstanding any other provision of the Master Indenture, failure of the Obligated Group to achieve the required Liquidity Requirement for any Testing Date shall not constitute an Event of Default under the Master Indenture if the Obligated Group takes all action necessary to comply with the procedures set forth above for adopting a plan and follows each recommendation contained in such plan or Consultant's report to the extent feasible (as determined in the reasonable judgment of the Governing Body of such Member) and permitted by law.

Debt Service Reserve Fund. The Master Trust Indenture establishes a Debt Service Reserve Fund and permits the creation of separate accounts therein to secure specific Obligations. Supplement No. 1 creates therein a Series 2019 Account securing the Series 2019 Note and any additional Obligations provided by a Supplement to be secured by the Series 2019 Account. The amount on deposit in the Series 2019 Account shall be equal to the Debt Service Reserve Fund Requirement for the Series 2019 Note and any additional Obligations which are provided by a Supplement to be secured by the Series 2019 Account. The Debt Service Reserve Fund Requirement for the Series 2019 Note equals the least of: (1) Maximum Annual Debt Service on the Series 2019 Note and any additional Obligations provided by a Supplement to be secured by the Series 2019 Account; (2) one hundred twenty-five percent (125%) of the average annual Long-Term Debt Service Requirement on Series 2019 Note and any additional Obligations provided by a Supplement to be secured by the Series 2019 Account; and (3) ten (10%) of the stated original principal amount of the Series 2019 Note and any additional Obligations provided by a Supplement to be secured by the Series 2019 Account. Initially, the Debt Service Reserve Fund Requirement for the Series 2019 Note will equal \$4,556,250.

Each Debt Service Reserve Fund may serve as security for only one Obligation issued under the Master Indenture or may serve as security for more than one Obligation issued under the Master Indenture, in which case all Obligations secured by such Debt Service Reserve Fund shall be secured equally and ratably by the amounts on deposit in such Debt Service Reserve Fund; provided, however, that no Debt Service Reserve Fund shall serve as security for one or more Obligations that secure Tax-Exempt Related Indebtedness and one or more Obligations that evidence or secure taxable Indebtedness or Related Indebtedness.

Upon establishment of a Debt Service Reserve Fund, the Members of the Obligated Group shall transfer, or cause to be transferred, money in an amount equal to the Debt Service Reserve Fund Requirement to the Master Trustee for deposit into such Debt Service Reserve Fund. After the establishment of a Debt Service Reserve Fund, if a Supplement provides that the Obligation issued thereunder shall be secured by such Debt Service Reserve Fund, the Members of the Obligated Group shall transfer, or cause to be transferred, to the Master Trustee for deposit into such Debt Service Reserve Fund money in an amount equal to the difference between the Debt Service Reserve Fund Requirement (after giving effect to the issuance of such Obligation) and the amount then on deposit in such Debt Service Reserve Fund.

If a Debt Service Reserve Fund secures more than one Obligation, the Master Trustee shall establish an account within such Debt Service Reserve Fund for each source of money deposited in such fund, such as proceeds of Related Indebtedness secured by, or Indebtedness evidenced by, an Obligation or other money of Members of the Obligated Group, and deposit the money obtained from each such source in the appropriate account. Such accounts shall be established solely for the convenience of the Members of the Obligated Group in maintaining an accounting of the uses and applications of such funds under the provisions of applicable federal and state law, and shall equally and ratably secure all Obligations for which such Debt Service Reserve Fund has been established.

If the Holder of an Obligation secured by a Debt Service Reserve Fund delivers a written notice to the Master Trustee to the effect that the amount of principal or interest paid by the Obligated Group or the amount otherwise available to the Holder of such Obligation is less than

the amount of principal or interest then due on such Obligation and specifying the amount of such deficiency of principal, interest or both, the Master Trustee, without further direction, shall immediately withdraw moneys from such Debt Service Reserve Fund in the amount of such deficiency and transfer such moneys to such Holder. If such Debt Service Reserve Fund secures more than one Obligation, the Master Trustee shall withdraw the amount of such deficiency from each account within such Debt Service Reserve Fund on a pro rata basis based on the amounts then on deposit in each such account. Amounts on deposit in any Debt Service Reserve Fund shall not be applied to pay principal of or interest on any Obligation other than the Obligation or Obligations secured thereby. The Master Trustee shall promptly provide written notice to the Members of the Obligated Group of any such withdrawal from any Debt Service Reserve Fund.

Unless otherwise provided in the Supplement directing that a Debt Service Reserve Fund be established and maintained, beginning on the 25th day of the month following a month in which money is withdrawn from a Debt Service Reserve Fund and continuing on the 25<sup>th</sup> day of each month thereafter, each Member of the Obligated Group covenants promptly to pay or cause to be paid to the Master Trustee for deposit into such Debt Service Reserve Fund, one-twelfth (1/12) of the amount or amounts so withdrawn until the amount then on deposit in such Debt Service Reserve Fund is equal to the Debt Service Reserve Fund Requirement. If an additional withdrawal is made from such Debt Service Reserve Fund prior to the restoration of the initial withdrawal, such additional withdrawal shall be restored by the Members of the Obligated Group in equal monthly installments over the remainder of the restoration period for the initial withdrawal. If such Debt Service Reserve Fund secures more than one Obligation, the Master Trustee shall deposit each amount paid to restore such Debt Service Reserve Fund into each account within such Debt Service Reserve Fund on a pro rata basis based on the amounts withdrawn from each such account.

*Additional Indebtedness.* Under the Master Indenture, Additional Indebtedness may be incurred by the Obligated Group, with the written consent of the Obligated Group Representative, provided no Event of Default exists and has not been cured, unless the Event of Default will be cured by the incurrence of such Additional Indebtedness. The Master Indenture does not contain any additional financial covenants that must be satisfied on the issuance of Additional Indebtedness. See “APPENDIX C - FORMS OF THE MASTER INDENTURE AND SUPPLEMENT NO. 1” attached hereto.

*Permitted Liens.* Each Member of the Obligated Group agrees that it will not create or suffer to be created or permit the existence of any pledge or lien on any rights, titles or interests in and to any property of the University (whether real or personal, tangible or intangible) (a “Lien”) other than Permitted Liens (as defined in the Master Indenture). For a list of all Permitted Liens, see Section 3.5 of the Master Indenture in “APPENDIX C - FORMS OF THE MASTER INDENTURE AND SUPPLEMENT NO. 1” attached hereto. A Supplemental Indenture may provide for a Lien on any Property to secure an Obligation issued pursuant thereto so long as such Parity Lien is granted in favor of the holders of all Obligations on a parity basis.

*Insurance; Use of Net Proceeds.* Each Member of the Obligated Group agrees in the Master Indenture that it will maintain, or cause to be maintained, insurance (including one or more self-insurance programs considered under customary standards for similar college or universities to be adequate) covering such risks, in such amounts and with such deductibles and co-insurance

provisions as, in the judgment of the Obligated Group Representative are adequate to protect it and its Property and operations.

*Other Master Indenture Covenants.* For the other provisions, covenants, and restrictions and an enumeration of the Events of Default and remedies under the Master Indenture see “APPENDIX C - FORMS OF THE MASTER INDENTURE AND SUPPLEMENT NO. 1” attached hereto.

*Acceleration.* Obligations issued under the Master Indenture will be subject to acceleration only in accordance with the provisions of the Supplement related to such Obligations, and any Related Indebtedness issued under a Related Bond Indenture or Related Agreement shall be subject to acceleration on account of any Event of Default only if the Obligation related to such Related Indebtedness may be accelerated. Pursuant to the Master Indenture, if an Event of Default occurs and is continuing, then in every such case the Master Trustee, if directed in writing by the holders of a majority in aggregate principal amount of all Outstanding Accelerable Obligations (as defined in the Master Indenture) shall, by written notice to the Obligated Group Representative, declare the principal of all Accelerable Obligations and the interest accrued thereon to be due and payable immediately, and upon any such notice such principal and interest of Accelerable Obligations shall become immediately due and payable. At any time after a declaration of acceleration of Accelerable Obligations has been made, but before any judgment or decree for payment of money due on Obligations has been obtained by the Master Trustee as provided in the Master Indenture, the holders of a majority in aggregate principal amount of the Accelerable Obligation Outstanding may, by written notice to the Master Trustee and the Obligated Group Representative, rescind and annul such declaration and consequences. The Series 2019 Note is an Accelerable Obligation. See “BONDHOLDERS’ RISKS - Acceleration of the Series 2019 Bonds” herein and “APPENDIX C - FORMS OF THE MASTER INDENTURE AND SUPPLEMENT NO. 1” attached hereto for a more complete description of the Events of Default and remedies under the Master Indenture and Supplement No. 1 thereto.

### **Limited Obligations**

**THE SERIES 2019 BONDS WILL BE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE SOURCES DESCRIBED IN THIS OFFICIAL STATEMENT AND WILL NOT CONSTITUTE OR CREATE ANY DEBT, LIABILITY, OR OBLIGATION OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PLEDGED THEREFOR IN ACCORDANCE WITH THE BOND INDENTURE AND THE SERIES 2019 NOTE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF WILL BE PLEDGED TO THE PAYMENT OF THE SERIES 2019 BONDS. THE ISSUER HAS NO TAXING POWER.**

### **The Loan Agreement**

The Loan Agreement imposes certain restrictions on the University for the benefit of the Issuer and the owners of the Series 2019 Bonds. Pursuant to the Loan Agreement and the Series 2019 Note, the University will unconditionally agree to pay the full amount needed and at the

times needed to enable the Issuer (or the Trustee on its behalf) to make timely payment of the principal of (whether due upon maturity, redemption, acceleration or otherwise), premium, if any, and interest on the Series 2019 Bonds. The University has also made additional covenants in the Loan Agreement, concerning, among others, the maintenance of the 2019 Project and the Refunded Projects, inspection of property, plant and equipment, indemnity, maintenance of its status as an organization described in Section 501(c)(3) of the Code and its exemption from federal income taxation under Section 501(a) of the Code and maintenance of its existence. See “APPENDIX E - FORM OF LOAN AGREEMENT” herein.

### **Additional Covenants**

The financing documents relating to Additional Indebtedness incurred by any Member of the Obligated Group pursuant to the Master Indenture, may contain certain financial and operating covenants of the Members of the Obligated Group that differ from the covenants in the Master Indenture, and in some instances such covenants may be more restrictive than the covenants contained in the Master Indenture pursuant to the applicable Supplement and related financing documents. These covenants may be amended or waived without notice to or consent by the holders of the Series 2019 Bonds. An event of default under such financing documents may result in an Event of Default under the Master Indenture. An Event of Default under the Master Indenture may trigger the enforcement of remedies, including, without limitation, acceleration of payment with respect to Accelerable Obligations under the Master Indenture, including the Series 2019 Note, upon the request or direction of the holders of a majority in aggregate principal amount of the Outstanding Accelerable Obligations. Therefore, although the Members of the Obligated Group may be in compliance with the provisions of the Master Indenture, they may nevertheless be in default under the terms of the financing documents relating to the more restrictive obligations, which could lead to an acceleration and early redemption of the Series 2019 Bonds.

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## ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2019 Bonds, and other available money of the University, are expected to be applied as follows:

### **Sources:**

Par Amount	\$68,935,000
Original Issue Premium	8,060,343
Additional Proceeds	79,726
<b>Total Sources</b>	<b><u>\$77,075,069</u></b>

### **Uses:**

Project Fund	\$24,002,389
Refund Refunded Bonds	46,057,279
Debt Service Reserve Fund	4,556,250
Capitalized Interest Fund	1,612,323
Costs of Issuance <sup>(1)</sup>	846,829
<b>Total Uses<sup>(2)</sup></b>	<b><u>\$77,075,069</u></b>

<sup>(1)</sup> Includes Underwriter's discount (including underwriter's counsel fee), legal and accounting fees, consultant fees, trustee fees, rating agency fees, printing costs, and other miscellaneous fees and costs.

<sup>(2)</sup> May not foot due to rounding.

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## ANNUAL DEBT SERVICE REQUIREMENTS

The following table presents the estimated annual debt service requirements of the University related to indebtedness outstanding payable from its general revenues following the issuance and delivery of the Series 2019 Bonds.

<b>Fiscal Year Ending June 30</b>	<b>Series 2019 Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>
2020	\$ --	\$ 2,728,677	\$ 2,728,677
2021	1,105,000	3,446,750	4,551,750
2022	1,160,000	3,391,500	4,551,500
2023	1,220,000	3,333,500	4,553,500
2024	1,280,000	3,272,500	4,552,500
2025	1,345,000	3,208,500	4,553,500
2026	1,415,000	3,141,250	4,556,250
2027	1,485,000	3,070,500	4,555,500
2028	1,555,000	2,996,250	4,551,250
2029	1,635,000	2,918,500	4,553,500
2030	1,715,000	2,836,750	4,551,750
2031	1,805,000	2,751,000	4,556,000
2032	1,890,000	2,660,750	4,550,750
2033	1,985,000	2,566,250	4,551,250
2034	2,085,000	2,467,000	4,552,000
2035	2,190,000	2,362,750	4,552,750
2036	2,300,000	2,253,250	4,553,250
2037	2,415,000	2,138,250	4,553,250
2038	2,535,000	2,017,500	4,552,500
2039	2,660,000	1,890,750	4,550,750
2040	2,795,000	1,757,750	4,552,750
2041	2,935,000	1,618,000	4,553,000
2042	3,080,000	1,471,250	4,551,250
2043	3,235,000	1,317,250	4,552,250
2044	3,400,000	1,155,500	4,555,500
2045	3,565,000	985,500	4,550,500
2046	3,745,000	807,250	4,552,250
2047	3,935,000	620,000	4,555,000
2048	4,130,000	423,250	4,553,250
2049	4,335,000	216,750	4,551,750
<b>TOTAL</b>	<b>\$68,935,000</b>	<b>\$65,824,677</b>	<b>\$134,759,677</b>

## **BONDHOLDERS' RISKS**

*The following are certain bondholders' risks that have been identified by the University and should be carefully considered by prospective purchasers of the Series 2019 Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect payment or the value of the Series 2019 Bonds. Prospective purchasers of the Series 2019 Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto.*

### **General**

The Series 2019 Bonds are payable solely from payments to be made by the University under the Loan Agreement, the Master Indenture and the Series 2019 Note and certain other amounts held in certain of the funds and accounts created under the Bond Indenture, which amounts are pledged as part of the Trust Estate, subject to application as provided in the Bond Indenture, for the security and payment of the principal of (whether at maturity or upon prior redemption) and premium, if any, and interest on the Series 2019 Bonds. Pursuant to the provisions of the Loan Agreement and the Series 2019 Note, the University will be obligated to make payments thereunder sufficient to pay the principal of and premium, if any, and interest on the Series 2019 Bonds. No representation or assurance can be given that the University will realize revenues or will have other monies available in amounts sufficient to make such payments. The realization by the University of future revenues is dependent upon, among other things, government regulations, the capabilities of the administration of the University, gifts, grants and bequests and future changes in economic and other conditions that are unpredictable and cannot be determined at this time.

### **University Revenues and Enrollment**

A significant portion of the University Revenues are provided through tuition and fees. Although the University has been able to demonstrate an acceptable level of student demand for its programs at current fee levels and in the past has been able to enroll a sufficient number of students and raise tuition and related fees without adversely affecting enrollment at the University, there can be no assurance that it will continue to be able to do so in the future. Demand for attendance at the University may be subject to factors beyond the University's control, such as general economic and demographic conditions, demand for higher education in general or for programs offered by the University in particular, funding of financial aid programs and legislation to provide free community University. Additionally, competition for students is substantial. The University competes with other private and public colleges and universities. See "APPENDIX A - GENERAL INFORMATION REGARDING SAINT LEO UNIVERSITY" attached hereto under the headings "Student Enrollment" and "Competition" therein. A significant decrease in enrollment for any reason could adversely affect the University's financial position and results of operations, as well as the amount of revenues available to pay the Series 2019 Bonds.

## **Accreditation**

The University is accredited by the Southern Association of Colleges and Schools Commission on Colleges (“SACSCOC”). In granting an institution’s accreditation and renewing the accreditation each 10 years, SACSCOC considers, among other things, the physical buildings and equipment, the qualifications of the administrative personnel and teaching staffs and the quality of the educational programs and courses offered. A failure on the part of the University to maintain its accreditation may result in a reduced number of students attending the University and a reduction in University Revenues and could have a material adverse effect on the financial condition of the University. The University’s accreditation was reaffirmed by SACSCOC in 2011 for 10 years.

## **Financial Aid to Students**

The University participates in Federal Title IV Programs, which include the Federal Pell Grants, Federal Supplemental Education Opportunity Grants, Federal Work Study, Subsidized and Unsubsidized Federal Stafford Loans and Federal Parent Loan for Undergraduate Students (PLUS). At June 30, 2018 and June 30, 2017, Federal Direct Loan Programs (including the Direct Stafford loan and Direct PLUS loan programs) were \$111,181,729 and \$125,554,565, respectively. In addition, certain students at the University are eligible to receive funds from State financial aid programs. The University also offers academic scholarships, need-based grants and student employment, as well as providing information to students with regard to several alternative/private loan programs. The University also participates in various veterans’ benefits and loan programs.

In the Fiscal Year ended June 30, 2018, approximately 98% of the University’s full-time student body received financial assistance, defined as loans, grants, work assistance or scholarships, from one, or more, of the following sources: federal, state, the University and private. There can be no assurance that the current levels of state, federal or financial aid from the University will be maintained in future years. Any significant reduction in federal assistance for student financial aid, coupled with increasing costs of education, would have a negative impact on the number of students applying for and attending colleges and universities, including the University, and could have a significant impact on the revenues of the University because of the large percentage of the University’s students receiving assistance. See “APPENDIX A - GENERAL INFORMATION REGARDING SAINT LEO UNIVERSITY” attached hereto under the caption “Student Financial Aid.”

Student loan default legislation for the Federal Stafford Subsidized and Federal Stafford Unsubsidized Loans, Federal Direct Subsidized and Federal Direct Unsubsidized Loans and Federal Supplemental Loans for Students (FSLs) will affect the program participation of institutions with default rates higher than twenty-five percent (25%). The University does not anticipate that this will affect the level of financial aid it receives. For Fiscal Year 2015, the most recent official three-year cohort default rate released by the Department of Education for the University was 7.9%.

## **Gifts, Grants and Bequests**

The University annually solicits gifts, donations and bequests for both current operating purposes and other needs. In addition, the University receives various grants from private foundations and from agencies of federal, state and local governments. Certain donations, bequests and grants are subject to restrictions which limit the purposes for which they may be used. There can be no assurance that the amount of gifts, donations, grants and bequests received by the University will remain stable or increase in the future. Such items could be adversely affected by a number of different factors, including changes in general economic conditions and changes in income tax laws affecting the deductibility of charitable contributions. A decrease in the amount of gifts, grants and bequests could adversely affect the University's financial position and results of operations. See "APPENDIX A - GENERAL INFORMATION REGARDING SAINT LEO UNIVERSITY" attached hereto under the caption "Gifts and Grants" therein.

## **Other Factors Affecting the Financial Performance of the University**

One or more of the following factors or events, or the occurrence of other unanticipated factors or events, could adversely affect the University's operations and financial performance to an extent that cannot be determined at this time:

Changes in Management. Changes in key administration personnel could affect the capability of administration to effectively administer the business of the University.

Organized Labor Efforts. Efforts to organize employees of the University into collective bargaining units or extended negotiations with the labor union representing the full-time faculty on the Campus could result in adverse labor actions or increased labor costs. See "APPENDIX A - GENERAL INFORMATION REGARDING SAINT LEO UNIVERSITY" attached hereto under the caption "Faculty and Employee Relations" therein.

Technological Advances. Changes in technology, including expansions of the offering of college-level courses or degrees via the internet, could significantly impact the manner in which colleges and universities operate, could allow other competition to enter the field of education without making significant investment in capital assets such as land and buildings, and could adversely affect the financial position of established colleges and universities, such as the University.

Accreditation. A failure on the part of the University to maintain the accreditation of the University may result in a reduced number of students attending the University and a reduction in revenues and could have a material adverse effect on the financial condition of the University. See "APPENDIX A - GENERAL INFORMATION REGARDING SAINT LEO UNIVERSITY" attached hereto under the caption "Accreditation and Memberships" therein.

Natural and Other Disasters. The occurrence of natural disasters, such as hurricanes, tornadoes, floods or droughts, or other disasters could damage the University's facilities, interrupt services or otherwise impair operations and the ability of the University to produce revenues.

Additional Indebtedness. There are no limitations on the issuance by the University of Additional Indebtedness. Additionally, indebtedness may be incurred outside of the Master

Indenture upon compliance with the terms of the Master Indenture. Any Additional Indebtedness or other indebtedness of the University could increase overall debt service requirements of the University and adversely affect debt service coverage on the Series 2019 Bonds. See “SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS - The Master Indenture and the Obligations – *Additional Indebtedness*” herein and “APPENDIX C - FORMS OF THE MASTER INDENTURE AND SUPPLEMENT NO. 1” attached hereto.

*Environmental Concerns.* Legislative, regulatory, administrative or enforcement action involving environmental controls could adversely affect the operation of the facilities of the University. For example, if property of the University is determined to be contaminated by hazardous materials, the University could be liable for significant clean-up costs even if it was not responsible for the contamination.

### **Tax-Exempt Status of the University and the Series 2019 Bonds**

The Internal Revenue Service (the “IRS”) has determined that the University is an organization described in Section 501(c)(3) of the Code, and, therefore, is exempt from federal income taxation. As a tax-exempt organization, the University is subject to a number of requirements affecting its operations. In recent years, the IRS has increased the frequency and scope of its audit and other enforcement activity regarding tax-exempt organizations, and such organizations are increasingly subject to a greater degree of scrutiny by the IRS. The primary penalty available to the IRS under the Code with respect to a tax-exempt entity engaged in unlawful, private benefit is the revocation of its tax-exempt status. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of not-for-profit organizations, loss of the tax-exempt status of the University could result, among other consequences, in the University being in default of certain of its covenants under the Bond Indenture and the Master Indenture. Loss of the 501(c)(3) tax-exempt status of the University would have material adverse consequences on the financial condition of the University, including, but not limited to loss of certain state income and real property tax-exemptions, the loss of the deductibility by donors of gifts to the University and would increase borrowing costs as a result of the University’s inability to obtain the benefit of tax-exempt indebtedness, which would increase the interest rate payable by the University if the interest on such Indebtedness was no longer excludable from gross income for federal income tax purposes. The Bond Indenture does not provide for the payment of any additional interest or penalty in the event of a determination of taxability of the interest on the Series 2019 Bonds.

In recent years, the IRS and state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt organizations with respect to their exempt activities and generation of unrelated business taxable income (“UBTI”). The University has historically not generated any significant amounts of UBTI. The University expects to participate in activities which generate UBTI in the future. The University’s administration believes it has properly accounted for and reported UBTI; nevertheless, an investigation or audit could lead to a challenge which could result in taxes, interest and penalties with respect to unreported UBTI and in some cases could ultimately affect the tax-exempt status of the University as well as the loss of the exclusion from gross income for income tax purposes of interest on outstanding Related Indebtedness (as defined in the Master Indenture), including the Series 2019 Bonds.

Neither the Issuer, the University nor Bond Counsel can predict whether the IRS will commence an audit of the Series 2019 Bonds. Owners of the Series 2019 Bonds are advised that, if the IRS does audit the Series 2019 Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the Issuer as the taxpayer, and the owners of the Series 2019 Bonds may have limited rights to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Series 2019 Bonds until the audit is concluded, regardless of the ultimate outcome. The University's administration believes that any arrangements into which the University has entered are in compliance with the tax laws. There can be no assurance, however, that the IRS will not pursue an action against the University on account of such arrangements.

The possible modification or repeal of certain existing federal income tax laws or property tax laws or other loss by the University of the present advantages of such laws, or any legislation imposing additional conditions on tax-exempt organizations or affecting the deductibility of gifts to tax-exempt organizations, could adversely affect the financial position of the University.

### **Damage to Facilities**

Any damage or destruction of other components of property of the University could materially adversely affect the University's receipt of Revenues. Under the Master Indenture each Member of the Obligated Group has agreed that it will maintain, or cause to be maintained, insurance (including one or more self-insurance programs considered under customary standards for similar universities or colleges to be adequate) covering such risks, in such amounts and with such deductibles and co-insurance provisions as, in the judgment of the Obligated Group Representative are adequate to protect it and its Property and operations. There can be no assurance that the amount of insurance required to be obtained or actually obtained with respect to the University's facilities will be adequate, or that the cause of any damage or destruction to such facilities will be as a result of a risk which is insured. Further, there can be no assurance with respect to the ongoing creditworthiness of the insurance companies from which the University obtains insurance policies. See "SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS - The Master Indenture and the Obligations - *Insurance; Use of Net Proceeds*" herein.

### **Acceleration of the Series 2019 Bonds**

The occurrence of certain events of default under the Bond Indenture (which may include certain events of default under the Loan Agreement and/or the Master Indenture) may cause the Series 2019 Bonds, to be declared to be immediately due and payable. Further, the occurrence of an event of default with respect to the Series 2019 Note or any other Related Indebtedness and related Obligations issued under the Master Indenture that are Accelerable Obligations may also cause the Series 2019 Bonds and such other bonds and obligations to be declared to be immediately due and payable. In such event, Holders of the Series 2019 Bonds may not have the opportunity to hold such Series 2019 Bonds for a time period consistent with their original investment intentions. See "APPENDIX C - FORMS OF THE MASTER INDENTURE AND SUPPLEMENT NO. 1" and "APPENDIX D - FORM OF BOND INDENTURE" attached hereto.

## **Enforcement of Remedies**

Enforcement of remedies under the Bond Indenture, the Loan Agreement, the Series 2019 Note and the Master Indenture may be limited or restricted by state laws concerning the use of assets of charitable corporations and by federal and state laws relating to bankruptcy, fraudulent conveyances, and rights of creditors and by application of general principles of equity affecting the enforcement of creditors' rights and liens securing such rights, and by the exercise of judicial authority by state or federal courts, may be subject to discretion and delay in the event of litigation or statutory remedy procedures, and may be substantially delayed in the event of litigation or statutory remedy procedures. The various legal opinions to be delivered concurrently with the delivery of the Series 2019 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies, and by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors. See "APPENDIX C - FORMS OF THE MASTER INDENTURE AND SUPPLEMENT NO. 1" and "APPENDIX D - FORM OF BOND INDENTURE" attached hereto, for a description of events of default and remedies.

## **Effectiveness of Security Interest in Trust Estate**

The effectiveness of the security interest in the Trust Estate granted to the Trustee may be limited by a number of factors, including, for example: (a) state and federal laws giving priority to certain kinds of statutory liens such as tax liens; (b) rights arising in favor of the United States of America or any agency thereof; (c) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (d) federal bankruptcy laws which may affect the enforceability of the security interest in the Trust Estate within 90 days preceding and after any effectual institution of bankruptcy proceedings by or against the University, including, without limitation, the enforceability of the lien on the Trust Estate and income derived therefrom received after the filing of a petition for relief under the federal bankruptcy law; (e) rights of third parties in all or a portion of the Trust Estate converted to cash and not in the possession of the Trustee; (f) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the Uniform Commercial Code (or other applicable jurisdictions) as from time to time in effect or state laws dealing with fraudulent conveyances affecting assignments of revenues and assets; (g) certain judicial decisions which cast doubt upon the right of the Master Trustee, in the event of bankruptcy of the University, to collect and retain grants due the University from governmental programs; and (h) present or future prohibitions against assignment contained in any state or federal statutes or regulations.

The effectiveness of the pledge of the Trust Estate is limited since a security interest in money generally cannot be perfected by the filing of financing statements under the UCC. Rather, such a security interest may be perfected only by the secured party taking possession of the subject funds. To the extent that a security interest in the Trust Estate or the rights of the University (or other Members of the Obligated Group) thereto can be perfected by the filing of financing statements, such action will be taken. If the security interest granted to the Trustee in the Trust Estate is deemed not to be perfected, such security interest may not be enforceable against third parties unless and until the Trust Estate is actually transferred to the Trustee or unless an exception under the UCC applies. Only upon the deposit of the proceeds of the Trust Estate into the funds and accounts established under the Master Indenture and the Bond Indenture will the Master

Trustee and the Trustee, respectively, have the right to control the expenditure of moneys deposited therein.

## **Project Risks**

The 2019 Project is subject to the risks associated with all construction projects, including, but not limited to, delays in the issuance of required building permits or other necessary approvals or permits, strikes, terrorism, vandalism, shortages of materials, and adverse weather conditions, including hurricanes and tornadoes. Such events could result in delaying completion occupancy of the 2019 Project, potentially increasing the level of expenditures of the University for the 2019 Project. Additionally, the 2019 Project may be subject to cost overruns due to change orders and other factors. Is it anticipated that the proceeds from the sale of the Bonds, together with investment earnings thereon, will be sufficient to complete the 2019 Project. However, cost overruns for a project of this magnitude are not uncommon due to change orders and other factors.

## **Amendments to the Bond Indenture, Loan Agreement and Master Indenture**

Under the terms of the Master Indenture, the Bond Indenture and the Loan Agreement amendments to each of these instruments may be made with and without the consent of the holders of the Series 2019 Bonds and the Series 2019 Note. To the extent consent is required for an amendment to the Master Indenture, the consent of the holders of not less than a majority in Aggregate Principal Amount of Obligations then Outstanding must be obtained for such consent to be effective. In the event that any request, direction or consent is requested or permitted under the Master Indenture of the Holders, the registered owners of Related Indebtedness then outstanding shall be deemed to be such Holders for the purpose of any such request, direction or consent in the proportion that the aggregate principal amount of Related Indebtedness then outstanding held by each such owner of Related Indebtedness bears to the aggregate principal amount of all Related Indebtedness then outstanding; provided however, that if any portion of such Related Indebtedness is secured by a Credit Facility that is also secured by a separate Obligation issued under the Master Indenture, the principal amount of the Obligation that secures the Related Indebtedness deemed outstanding for purposes of any such request, direction or consent shall be reduced by the amount of Related Indebtedness that are secured by such Credit Facility for the purpose of any such request, direction or consent, to the extent provided in the Master Indenture. See "APPENDIX C - FORMS OF THE MASTER INDENTURE AND SUPPLEMENT NO. 1" attached hereto.

## **Other Factors**

The ability of the University to pay its obligations under the Loan Agreement and the Obligations will depend upon the continued ability of the University to generate revenues sufficient to meet such obligations, the University's operating expenses, debt service on other indebtedness, extraordinary costs or expenses which may occur and other costs and expenses. Revenues and expenses of the University will be affected by future events and conditions relating generally to, among other things, the ability of the University to provide educational programs to meet the needs and expectations of students during the time that the Series 2019 Bonds remain outstanding, the capabilities of the University's governing body and administration, the University's ability to control expenses during inflationary periods, the University's ability to



maintain or increase rates for tuition, fees and other revenues without reducing enrollment, the ability of the University to attract and retain quality faculty members for its educational programs, the investment experience of the University's endowment and other funds, future gifts, donations and bequests, governmental assistance for student financial aid, and grants and contracts from governmental bodies and agencies and others. Additionally, in the future, the following factors, among many others, may adversely affect the operations of the University to an extent that cannot be determined at this time: (a) employee strikes and other adverse labor actions that could result in a substantial reduction in revenues without corresponding decreases in costs; (b) increased costs and decreased availability of insurance; (c) cost and availability of energy; (d) high interest rates which could prevent borrowing for needed capital expenditures; (e) an increase in the costs of health care benefits, retirement plan or other benefit packages offered by the University to its employees, and (f) reduction in funding support from donors or other external sources. Future revenues and expenses of the University will be subject to other conditions that cannot be determined at this time.

## **LITIGATION**

### **The Issuer**

No litigation, proceedings or investigations are pending or, to the knowledge of the Issuer, threatened against the Issuer or its officers which seeks to restrain or enjoin the issuance or delivery of the Series 2019 Bonds, or questions or affects the validity of the Series 2019 Bonds or the proceedings or authority under which the Series 2019 Bonds are to be issued, or which in any manner questions the right of the Issuer to enter into the Bond Indenture or the Loan Agreement or to secure the Series 2019 Bonds in the manner provided in the Bond Indenture.

### **The University**

No litigation, proceedings or investigations are pending or, to the knowledge of the University, threatened against the University or its officers or property wherein an unfavorable decision, ruling or finding would adversely affect (i) the transactions contemplated by this Official Statement, (ii) the corporate existence or powers of the University to enter into and carry out the transactions contemplated by this Official Statement, (iii) the status of the University as an organization described in Section 501(c)(3) of the Code, (iv) the exclusion of interest on the Series 2019 Bonds from gross income of the Holders thereof for federal income tax purposes, or (v) the validity or enforceability of the Bond Indenture, the Loan Agreement or the Master Indenture.

## **LEGAL MATTERS**

Certain legal matters incidental to the authorization, issuance and sale by the Issuer of the Series 2019 Bonds and with regard to the tax-exempt status thereof will be passed upon by Holland & Knight LLP, Lakeland, Florida, Bond Counsel. Bond Counsel will deliver the opinion substantially in the form attached hereto as Appendix G on the delivery date of the Series 2019 Bonds. The actual legal opinion may vary from the text set forth in Appendix G if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of them by recirculation of this Official Statement or otherwise shall create no implication that, subsequent to the date of such opinion, Bond Counsel has reviewed or

expresses any opinion concerning any of the matters referenced in the opinions except as specifically stated therein. Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances, including changes in law, that may thereafter occur or become effective.

Bond Counsel has not undertaken independently to verify and therefore expresses no opinion as to the accuracy, completeness, fairness or sufficiency or any of the information or statements contained in this Official Statement or any exhibits, appendices, schedules or attachments hereto except as to the accuracy of the information in portions hereof captioned "DESCRIPTION OF THE SERIES 2019 BONDS" and "SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS" to the extent such portions purport to summarize the Series 2019 Bonds, the Bond Indenture and the Loan Agreement and except as to the accuracy of the information under the caption "TAX MATTERS" herein.

Certain legal matters will be passed upon for the University by its Office of the General Counsel, for the Underwriter by its counsel, Foley & Lardner LLP, Jacksonville, Florida and for the Issuer by its counsel, Squire Patton Boggs (US) LLP, Tampa, Florida.

The legal opinions to be delivered concurrently with the delivery of the Series 2019 Bonds express the professional judgement of the attorneys rendering the opinions regarding the legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgement of the transaction on which the opinion is rendered or for future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## **CONTINUING DISCLOSURE**

The University, as an "obligated person" under the Rule, has covenanted to provide certain financial information and operating data relating to the University and the Series 2019 Bonds in each year (the "Annual Report"), and to provide notices of the occurrence of certain events. Pursuant to the Disclosure Agreement, the Annual Report and notices of certain events (as described in the Disclosure Agreement) will be filed by the University's dissemination agent (initially Digital Assurance Certification LLC), on behalf of the University, with the repository designated by the SEC, presently the Municipal Securities Rulemaking Board (the "MSRB") through the Electronic Municipal Market Access system in an electronic format prescribed by the MSRB. The specific nature of the financial information, operating data, the type of events which trigger a disclosure obligation, the timing of the Annual Report and event filings and other details of the University's undertakings are more fully described in "APPENDIX F - FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto.

During the past five years (the "Compliance Period"), the University did not have an obligation under any written contract or agreement, entered into to assist a participating underwriter comply with the Rule, to provide annual financial information or operating data as an "obligated person" in connection with any debt obligations subject to the Rule and therefore, did

not fail to comply with any previous undertakings in a written contract or agreement during the Compliance Period.

## **DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS**

Rule 69W-400.003, Rules for Government Securities, promulgated by the Florida Department of Banking and Finance, Division of Securities, under section 517.051(1), Florida Statutes (“Rule 69W-400.003”), requires the Issuer to disclose each and every default as to payment of principal and interest with respect to an obligation issued by the Issuer after December 31, 1975. Rule 69W-400.003 further provides, however, that if the Issuer in good faith believes that such disclosures would not be considered material by a reasonable investor, such disclosures may be omitted.

The Issuer, in the case of the Series 2019 Bonds, is merely a conduit for payment, in that the Series 2019 Bonds do not constitute a general debt, liability or obligation of the Issuer, but are instead secured by and payable solely from payments of the University under the Loan Agreement and by other security discussed herein. The Series 2019 Bonds are not being offered on the basis of the financial strength of the Issuer. The Issuer believes, therefore, that disclosure of any default related to a financing not involving the University or any person or entity related to the University would not be material to a reasonable investor. Accordingly, the Issuer has not taken affirmative steps to contact the various trustees of other conduit bond issues of the Issuer to determine the existence of prior defaults; however, the Issuer is not aware of the existence of any defaults with respect to bonds issued by it. The Issuer has issued previous bonds for the benefit of the University and has no knowledge of any defaults by the University in connection therewith.

The University has not defaulted in any payment of principal or interest after December 31, 1975.

## **TAX MATTERS**

*Opinion of Bond Counsel.* In the opinion of Bond Counsel, under existing law, interest on the Series 2019 Bonds is excludable from gross income for federal income tax purposes.

The Internal Revenue Code of 1986, as amended (the “Code”), and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Series 2019 Bonds in order for the interest thereon to be and remain excludable from gross income for federal income tax purposes. Examples include: the requirement that, unless an exception applies, the Issuer rebate certain excess earnings on proceeds and amounts treated as proceeds of the Series 2019 Bonds to the United States Treasury Department; certain restrictions on the investment of such proceeds and other amounts; and restrictions on the ownership and use of any facilities financed or refinanced with the proceeds of the Series 2019 Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied subsequent to the issuance of the Series 2019 Bonds to maintain the exclusion of interest on the Series 2019 Bonds from gross income for federal income tax purposes. Failure to comply with such requirements may cause the inclusion of interest on the Series 2019 Bonds in the gross income of the owners thereof for federal income tax purposes, retroactive to the date of issuance of the

Series 2019 Bonds. The Issuer and the University have covenanted to comply with each such requirement of the Code that must be satisfied subsequent to the issuance of the Series 2019 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The opinion of Bond Counsel is subject to the condition that the Issuer and the University comply with all such requirements. Bond Counsel has not been retained to monitor compliance with the described post-issuance tax requirements subsequent to the issuance of the Series 2019 Bonds.

Bond Counsel gives no assurance that any future legislation or clarifications or amendments to the Code, if enacted into law, will not cause the interest on the Series 2019 Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent the Bondholders from realizing the full current benefit of the tax status of the interest on the Series 2019 Bonds. During recent years, legislative proposals have been introduced in Congress, and in some cases have been enacted, that have altered or could alter certain federal tax consequences of owning obligations similar to the Series 2019 Bonds. In some cases, these proposals have contained provisions that were to be applied on retroactive basis. It is possible that legislation could be introduced that, if enacted, could change the federal tax consequences of owning the Series 2019 Bonds and, whether or not enacted, could adversely affect their market value. Prospective purchasers of the Series 2019 Bonds are encouraged to consult their own tax advisors regarding any pending or proposed federal legislation, as to which Bond Counsel expresses no view.

As to certain questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the Issuer and the University and certificates of appropriate officers and public officials (including certifications as to the use of proceeds of the Series 2019 Bonds and of the property financed or refinanced thereby).

Reference is made to the proposed form of the opinion of Bond Counsel attached hereto as “APPENDIX G - FORM OF OPINION OF BOND COUNSEL” for the complete text thereof. See also “LEGAL MATTERS” herein.

Alternative Minimum Tax. An alternative minimum tax is imposed by the Code on certain taxpayers other than corporations (as defined for federal income tax purposes). Interest on the Series 2019 Bonds will not be treated as an item of tax preference for purposes of the alternative minimum tax. Interest on the Series 2019 Bonds will therefore not be included in the alternative minimum taxable income of taxpayers other than corporations.

Original Issue Premium. The Series 2019 Bonds have been sold to the public at an original issue premium (collectively, the “Premium Bonds”). Section 171(a) of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser’s basis in a Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(a)(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Premium Bond in excess of the owner’s

adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Premium Bond and not as interest.

The federal income tax treatment of original issue premium under the Code, including the determination of the amount of amortizable bond premium that is allocable to each year, is complicated and holders of Premium Bonds should consult their own tax advisors in order to determine the federal income tax consequences to them of purchasing, holding, selling or surrendering Premium Bonds at their maturity.

*Other Tax Consequences.* Prospective purchasers of the Series 2019 Bonds should be aware that ownership of the Series 2019 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S Corporations with “excess net passive income,” foreign corporations subject to the branch profits tax individuals entitled to receive the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2019 Bonds. Prospective purchasers of the Series 2019 Bonds should also be aware that ownership of the Series 2019 Bonds may result in adverse tax consequences under the laws of various states. Bond Counsel has not expressed an opinion regarding the collateral federal income tax consequences that may arise with respect to the Series 2019 Bonds. Further, Bond Counsel has expressed no opinion regarding the state tax consequences that may arise with respect to the Series 2019 Bonds. Prospective purchasers of the Series 2019 Bonds should consult their own tax advisors as to the consequences of them owning the Series 2019 Bonds, including the effect of such ownership under applicable state and local laws and any collateral federal income tax and state tax consequences.

The federal income tax consequences from the purchase, ownership and redemption, sale or other disposition of Series 2019 Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Holders of the Series 2019 Bonds should consult their own tax advisors with respect to the consequences of owning Series 2019 Bonds, including the effect of such ownership under applicable state and local laws.

*Information Reporting and Backup Withholding.* Interest paid on tax-exempt bonds, such as the Series 2019 Bonds, is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Series 2019 Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Series 2019 Bonds, under certain circumstances, to “backup withholding” at the fourth lowest rate applicable to unmarried individuals with respect to payments on the Series 2019 Bonds and proceeds from the sale of the Series 2019 Bonds. Any amounts so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Series 2019 Bonds. This withholding generally applies if the owner of Series 2019 Bonds (i) fails to furnish the paying agent (or other person who would otherwise be required to withhold tax from such payments) such owner’s social security number or other taxpayer identification number (“TIN”), (ii) furnishes the paying agent an incorrect TIN, (iii) fails to properly report interest, dividends, or other “reportable payments” as defined in the Code, or (iv) under certain

circumstances, fails to provide the paying agent or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Series 2019 Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding and the procedures for obtaining exemptions.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE SERIES 2019 BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE SERIES 2019 BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Reference is made to the proposed form of the opinion of Bond Counsel attached hereto as "APPENDIX G - FORM OF OPINION OF BOND COUNSEL," expected to be delivered on the delivery date of the Series 2019 Bonds, for a complete text thereof. See also "LEGAL MATTERS" herein.

## UNDERWRITING

The Series 2019 Bonds are being purchased by Morgan Stanley & Co. LLC (the "Underwriter"), at a purchase price of \$76,606,213.88 (consisting of \$68,935,000.00 principal amount of Series 2019 Bonds, plus an original issue premium of \$8,060,342.85 and less an Underwriter's discount of \$389,128.97 (including the Underwriter's fees and expenses), subject to certain terms and conditions set forth in the purchase contract among the Issuer, the University and the Underwriter.

The prices and other terms with respect to the offering and sale of the Series 2019 Bonds may be changed from time to time by the Underwriter after such Series 2019 Bonds are released for sale, and the Series 2019 Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers whom may sell the Series 2019 Bonds into investment accounts.

The Underwriter and its respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment managements, principal investment, hedging, financing and brokerage activities. The Underwriter and its respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the University, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriter and its respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivate securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the University.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, the underwriter of the Series 2019 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan

Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2019 Bonds.

## **RATING**

S&P Global Ratings, a division of S&P Global, Inc. (the “Rating Agency”) has assigned the Series 2019 Bonds a long-term rating of “BBB-” (stable outlook). The rating, including any related outlook with respect to potential changes in such rating, reflects only the view of the Rating Agency, and an explanation of the significance of such rating may be obtained from the Rating Agency. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies, and assumptions of its own. There is no assurance that such rating will remain unchanged for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency furnishing the same, if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating or other actions by the Rating Agency may have an adverse effect on the liquidity and/or market price of the affected Series 2019 Bonds. Neither the Issuer, the University, nor the Underwriter has undertaken any responsibility to oppose any such revision, suspension or withdrawal.

## **FINANCIAL STATEMENTS**

The financial statements of the University for the Years ended June 30, 2018, June 30, 2017 and June 30, 2016 have been audited by KPMG LLP, independent auditor (the “Auditor”). The report of the Auditor, together with the financial statements and notes to the financial statements for the Years ended June 30, 2018 and June 30, 2017 are attached hereto as “APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY FOR THE YEARS ENDED JUNE 30, 2018, 2017 AND 2016.”

## **FINANCIAL ADVISOR**

The University has retained PFM Financial Advisors LLC, Charlotte, North Carolina, to serve as financial advisor (the “Financial Advisor”) with respect to the offering of the Series 2019 Bonds. The Financial Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading, or distributing securities. The Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement and is not obligated to review or ensure compliance with the undertaking by the University to provide continuing secondary market disclosures.

## **FORWARD-LOOKING STATEMENTS**

Any statements made in this Official Statement, including in the appendices attached hereto, involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized.

This Official Statement, including the appendices attached hereto, contains certain “forward-looking statements” concerning the University’s operations, performance and financial condition, including its future economic performance, plans and objectives and the likelihood of success in developing and expanding. Any statements that express, or involve discussions as to expectations, beliefs, plans, objectives, assumptions, future events or performance (often, but not always, through the “may,” “would,” “could,” “will,” “expect,” “anticipate,” “believe,” “intend,” “plan,” “estimate,” “will result,” “expects to,” “will continue” and similar expressions are meant to identify these forward-looking statements), are not historical and may be forward-looking. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors, including, but not limited to, the risks described under the heading “BONDHOLDERS’ RISKS” which may cause actual results to be materially different from those expressed or implied by such forward-looking statements. Although the University believes that the expectations reflected in the forward-looking statements are reasonable, the University cannot guarantee future resolutions, levels of activity, performance or achievements. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included or incorporated by reference in this Official Statement are based on information available on the date hereof and the University assumes no obligation to update any such forward-looking statements.

The forward looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the University. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement, including in the appendices attached hereto, will prove to be accurate.

## **MISCELLANEOUS**

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Series 2019 Bonds, the source for repayment for the Series 2019 Bonds and the rights and obligations of the Holders.

The information contained in this Official Statement, including in the appendices, has been obtained from official and other sources deemed by the University to be reliable, and, while not guaranteed as to completeness or accuracy, is believed by the University to be correct as of the date of this Official Statement.

Any statements made in this Official Statement involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized.



Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Series 2019 Bonds.

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## **AUTHORIZATION OF AND CERTIFICATION OF OFFICIAL STATEMENT**

This Official Statement and its distribution and use by the Underwriter have been duly authorized by the Issuer and the execution and delivery thereof have been duly authorized and approved by the University.

**SAINT LEO UNIVERSITY INCORPORATED**

/s/ Jeffrey D. Senese  
Jeffrey D. Senese, Ph.D., President

## **APPENDIX A**

### **GENERAL INFORMATION REGARDING SAINT LEO UNIVERSITY**



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## SAINT LEO UNIVERSITY INCORPORATED

### General

Saint Leo University Incorporated, a Florida not for profit corporation (“Saint Leo” or the “University”), is an accredited private, Catholic, co-educational, liberal arts university serving people of all faiths with its main campus located in Saint Leo, Florida (the “Campus”). Saint Leo is currently one of the ten largest Catholic universities nationally, with an enrollment of over 10,000 undergraduate and graduate students from all 50 states and more than 80 countries. Approximately 2,000 students are currently enrolled at the Campus and 8,000 students are currently enrolled under the Division of Saint Leo University Worldwide (“Worldwide”) at one of thirty-five (35) Education Centers in seven states or through the Online Learning Center.

The University offers an Associate of Arts degree, a Bachelor of Arts degree, a Bachelor of Science degree, a Master of Arts degree and a Doctorate degree, each in various majors as well as numerous minors available. The University consists of various colleges and programs, including, the College of Arts and Sciences, the Tapia College of Business and the College of Education and Social Services. In addition to its degree programs, the University offers certificate programs.

Worldwide provides undergraduate and graduate degree programs for adult students. The University emphasizes providing accessible academic and administrative support services for students pursuing degrees in Worldwide. Worldwide programs and courses permit students to start at 6 different times a year. Degree programs are provided at education centers located in the states of California, Florida, Georgia, Mississippi, South Carolina, Texas and Virginia. The Online Learning Center was established in October 1998 to meet the needs of adult students and offer the best attributes of traditional classroom education along with today’s cutting-edge computer technology. The Online Learning Center offers working adults the opportunity to earn an associate’s or bachelor’s degree entirely online. No conventional classroom attendance is required. The Online Learning Center students receive the same associate’s and bachelor’s degrees as do their on-campus counterparts, however, not all programs are offered on the Campus, the Online Learning Centers, or at the Education Centers.

The University was named as a 2019 Best Regional University – South and Best Value University – South by U.S. News & World Report, based on academic quality and cost. The University ranks 25<sup>th</sup> among the top 100-degree granting institutions for African-Americans earning bachelor degrees in all disciplines, and 19<sup>th</sup> in African-Americans earning master’s degrees in all disciplines, in the 2018 listing by *Diverse Issues in Higher Education* magazine. Additionally, the magazine ranked the University as 21<sup>st</sup> among top producers of Hispanic graduates earning master’s degrees in business administration, management, and operations. The University has also been recognized as a leading provider of higher education to the military and military spouses, as noted in *G.I. Jobs, Military Advanced Education and Training* and other publications. Named by Victory Media as a 2018 Top 10 Gold-level Military Friendly School Award Recipient and a 2018 Spouse Friendly School. Also named to the *Military Times Best: Colleges 2018* and *Military Advanced Education and Training’s 2018 Guide to Colleges & Universities*. The National Security Agency (NSA) and the Department of Homeland Security (DHS) have designated the University as a National Center of Academic Excellence in Cyber Defense Education through 2021.

### History

The University was chartered on June 4, 1889, when the Florida legislature authorized the Order of Saint Benedict of Florida to “have and possess the right and power of conferring the usual academic and other degrees granted by any college in this state.” The University was the first Catholic college in Florida and opened with the dedication of its main building on September 14, 1890.

Established initially by monks from Saint Vincent Archabbey in Latrobe, Pennsylvania, the Benedictine mission was transferred to the jurisdiction of Mary Help of Christians Abbey (now called Belmont) in North Carolina in 1888. Saint Leo University and Abbey are named for their first abbot, Leo Haid, the principal founder and first president of the University.

In its first year, the University had 32 students and the basic curriculum was a mix of liberal arts and commercial courses leading to the degree of Master of Accounts. Periodically, the University went through a military phase, with uniforms and required drilling, to instill discipline and order. The first Master of Accounts degrees were conferred on the pioneer graduating class of five students on June 20, 1893. In 1920, the college was phased out as the faculty decided to become a prep school. It was accredited by the Southern Educational Association in 1921. After a variety of name changes (including Saint Leo Academy and Benedictine High School), the institution settled on Saint Leo College Preparatory School in 1929 and continued as such until 1964. Saint Leo opened as a college again in 1959. Operating first on the associate level, the college moved quickly to a four-year program and began to again confer bachelor's degrees on April 23, 1967. It was accredited by the Southern Association of Colleges and Schools on November 29, 1967, retroactive to include the charter bachelor of arts class. In 1969, the University was reorganized when the Order of Saint Benedict of Florida transferred title and control to an independent board of trustees.

In a broadening of its purpose, in 1974 the University responded to requests from the armed services to offer degree programs on military bases. In 1982, the University admitted its first Honors students, and in 1986, the first Honors class graduated from the program. In 1994, the University further expanded its service to working adults as it responded to the needs of Florida residents by taking its degree programs to the campuses of community colleges. In December 1994, the University was accredited by the Southern Association of Colleges and Schools to offer the master's degree, retroactive to January 1, 1994. More recently, in 1998, Saint Leo began offering degree programs online. In August 1999, Saint Leo College changed its name to Saint Leo University.

## **Governance**

The University is governed by a Board of Trustees (“the Board”) consisting of 35 members, who are elected by a majority of the Board for a term of 3 years with a maximum of three full consecutive terms. The Board normally meets three times during the year. The various committees of the Board hold regular meetings, as needed. Standing committees of the Board include Academic Affairs, Business Affairs, Student Affairs – Campus Operations, Student Affairs – Worldwide Operations, University Advancement, Committee on Trustees, Audit, and the Executive Committee. Each meets just prior to the Board meeting at least three times per year.

The following table sets forth the names of the current members of the Board and their respective position and affiliation:

### Members of the Board

<u>Member</u>	<u>Position</u>	<u>Affiliation</u>
Mary O’Keefe ‘76	Chair	Partner, SRiCheyenne
D. Dewey Mitchell	Vice Chair	Co-owner, Capstone Tropical Holdings, Inc.
Thamir A.R. Kaddouri, Jr. ‘94	Secretary	Attorney, Law Office of Thamir A.R. Kaddouri, Jr., P.A.
Jeffrey D. Senese	President	President, Saint Leo University
Sr. Roberta Bailey O.S.B. ‘57	Member	Prioress, Benedictine Sisters of Florida

Peter J. Biscardi '70	Member	President National Auto Care Corp, retired
Noel Boeke*	Member	Attorney, Holland & Knight LLP
Cynthia Brannen* '92	Member	English instructor, retired
Robert Cabot '71, '06	Member	Director of Public Safety, retired
Abbot Isaac Camacho, O.S.B. '95	Member	Abbot, Saint Leo Abbey
Joseph P. Connellan '85	Member	Managing Director, Citi Capital Markets
Anthony Gerbino '74	Member	Chairman & CEO, ErgoGenesis
Richard Johnson '68	Member	First VP, Johnson Tamney Group at Morgan Stanley
Virginia M. Judge	Member	President/CEO, Honeycomb Co. of America, Inc., retired
Paul Lehner '74	Member	Vice President, Specialty Fibers, Leigh Fibers, Inc.
Terrence Linnert	Member	Executive VP, Admin and General Counsel, Goodrich Corporation, retired
Allan Luihn '83	Member	President, Luihn Food Systems, Inc.
Nadeem Mazhar*	Member	CEO, Custom Technology Solutions, LLC
Sheila McDevitt* '60	Member	President and Managing Member, Sheila M. McDevitt, P.L.
Joseph A. McGee	Member	Former Executive VP, Jabil, Inc.
Rev. Msgr. Robert F. Morris '79	Member	Vicar General, Diocese of St. Petersburg, Florida
Edwin Narain '07, '09	Member	Regional Director, AT&T
Laurie O'Donoghue	Member	Chairman, Pareto NY, LLC, retired
John O'Leary '83	Member	Sr. VP Wealth Management, UBS - O'Leary Partners
Robert L. Padala '73	Member	Partner, President, Petrus Trading, LLC
Mary Palazzo '72	Member	Vice President, Purr'n Pooch, LLC
Most Rev. Gregory L. Parkes	Member	Bishop, Diocese of St. Petersburg, Florida
Thomas Peschio '59	Member	Proprietor, Peschio & Company, retired
John Picciano '69	Member	President/CEO, Oglethorpe, Inc.
Brian Quinn	Member	Sr. VP, Chief Franchise Officer, Red Lion Hotels Corporation
William Reagan '73	Member	Director of Investment Banking, FMS Bonds, Inc.
Kathryn Simpson '06	Member	Self-employed, Simpson Environmental Services
Zenith Taylor '88	Member	Attorney, Law Offices of Zenith T. Taylor
Pat Thompson '87	Member	President/CEO Imagineering Partners, Inc.
John E. View '72	Member	Director Emeritus, Financial Aid, Compliance and Educational Opportunity Program, State University of New York

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\* Currently serving final consecutive term.

## Administration

The Senior Officers of the Administration (“Senior Officers”) of the University are responsible for the day-to-day management and operation of the University and implementing policies established by the Board. The Senior Officers of the University are as follows:

**Dr. Jeffrey D. Senese, President.** Dr. Senese became the tenth president of Saint Leo University in July 2018. Previously, he was the University’s first Provost and Senior Vice President of Academic and Student Affairs providing oversight of all educational programs. As president, Dr. Senese is responsible for the implementation of the Board of Trustees’ policies and the general oversight of all the University’s operations, including the University’s faculty and staff, academic issues, fundraising, financial operations, capital projects, and student services. Dr. Senese earned a bachelor’s degree in administration of justice from The Pennsylvania State University, a Master of Arts degree in criminology from Indiana State University and a Ph.D. in criminal justice/research methods/statistics from Michigan State University. He has also completed the Institute for Higher Education Management at Harvard University and the Academic Management Institute at the National Center for Higher Education Management Systems in Boulder, Colorado. He also has additional trainings related to higher education, leadership and fundraising.

After graduating from Michigan State University, Dr. Senese was a faculty member at Indiana University and then the University of Baltimore. He was engaged in national research work with the U.S. Department of Justice and U.S. Department of Defense on use of force and other topics. From 1996 to 2005, Dr. Senese served as department chair and then associate dean at the University of Baltimore. He was also appointed as the chief academic officer of one of the Penn State campuses and was later selected as Vice President for Academic Affairs at Mount Ida College and then at Philadelphia University. This was followed by service as the Vice President for Academic Affairs/Vice Provost of Johnson & Wales University-Providence and, prior to joining Saint Leo, he was the first Provost at Cardinal Stritch University.

Dr. Senese also has extensive international work experiences and is a member of the Global Listening Centre’s Advisory Board, the Board of Directors of the Greater Tampa Chamber of Commerce, the Board of the Tampa Hillsborough Economic Development Council, and an immediate past member of the Board of the Urban League of Milwaukee.

**John Nisbet, Vice President Business Affairs/Chief Financial Officer.** Mr. Nisbet joined the University in July 2018. Prior to joining the University, Mr. Nisbet served as Vice President of Finance and Chief Financial Officer for Creighton University. He held several leadership roles in finance and administration at The Ohio State University, the Miami Miller School of Medicine in Florida, OhioHealth, a faith-based hospital system and healthcare provider in central Ohio, and Cincinnati Children’s Hospital Medical Center. Mr. Nisbet earned a Master of Business Administration with a specialization in corporate finance from The Ohio State University, a Master of Science degree in molecular and cellular physiology from the University of Cincinnati, and a Bachelor of Science degree in zoology from The Ohio State University.

**Dr. Melanie Storms, Senior Vice President.** Dr. Storms joined the University in 2016. Most recently, she served as Vice President for the College of Social and Behavioral Sciences and the College of Health Sciences at Walden University. Prior to her position at Walden University, she served in a variety of roles in academia including campus president, vice president of academic affairs, dean and program chair. She also has experience in administrative and clinical service provision roles earlier in her career as a licensed clinical psychologist. Dr. Storms earned a bachelor’s degree in psychology from the University of Central Florida, and a master’s and doctorate degree in clinical psychology from the Florida Institute of Technology.



**Denny Moller, Vice President for University Advancement & University Communications.**

Mr. Moller joined Saint Leo University in 2013 after spending six years at DePaul University, most recently as associate vice president for development. Earlier in his career, he served as vice president of two telecommunication companies and as an executive in AT&T's Business Sales Division. He earned a B.S.B.A. degree in Business Administration and an M.B.A. from Xavier University.

**Dr. Senthil Kumar, Vice President for University Campus Admissions & Center for Global Engagement.** Dr. Kumar joined the University in April 2018. Dr. Kumar has over 17 years of experience in strategic enrollment management and comprehensive internationalization planning in higher education. Prior to his position at the University, Dr. Kumar served as Vice President of Enrollment Management and Dean of International Programs at Bay State College in Massachusetts and Dean of Enrollment Management and Director of Institutional Advancement at The National Graduate School, a division of the New England College of Business. He has also held several positions in university admissions at Johnson & Wales University and Oklahoma City University. Dr. Kumar earned a Bachelor of Science degree in business and a Master of Business Administration in finance from the Meinders School of Business at Oklahoma City University and a Doctor of Business Administration in quality systems management with a specialization in health systems from The National Graduate School.

**Christian Schindler, Vice President of Marketing and Enrollment.** Mr. Schindler joined the University in May 2019. He has served in a variety of leadership roles in marketing and enrollment, including as Divisional Vice President of Strategic Recruitment and Global Marketing at Laureate Education, Vice President of Marketing and Enrollment at StraighterLine, and Senior Director of International Global Marketing at LeapFrog Enterprises. Mr. Schindler earned a Bachelor of Arts degree in political science from the Richard Ivey School of Business at the University of Western Ontario.

**Dr. Jennifer Shaw, Vice President for Student Affairs.** Dr. Shaw brings 25 years of experience in higher education to the position, serving in a variety of student affairs leadership positions. She most recently served as associate vice president and dean of students at the University of Florida in Gainesville, where she oversaw the dean of students office, the office of student conduct and conflict resolution, the disability resource center, the care area, new student and family programs, the collegiate veterans success center, career resource center, and student activities and involvement. Prior to the University of Florida, Dr. Shaw held similar positions at the University of North Carolina at Greensboro; Davidson County Community College in Lexington, NC; the University of South Florida in Tampa; and the Savannah College of Art and Design in Georgia. Dr. Shaw received her PhD in higher education from Florida State University; master's degree in college student personnel services from Miami University in Oxford, Ohio; and bachelor's degree in political science from Transylvania University in Lexington, Kentucky.

**James DeTuccio, Senior Associate Vice President of Finance.** Mr. DeTuccio joined the University in January 2008. Prior to joining the University, he worked for several publicly-traded and non-profit organizations. Mr. DeTuccio earned bachelor degrees in Accounting and Finance from Florida State University and a Master's of Business Administration from Saint Leo. In addition, Mr. DeTuccio is a Florida certified public accountant.

### **Accreditation and Memberships**

The University is accredited by the Southern Association of Colleges and Schools Commission on Colleges to award the associate, bachelor's, master's, specialist and doctoral degrees. The University's School of Business received initial accreditation by the Accreditation Council for Business Schools & Programs in November 2014. The University's degree program in social work is accredited by the Commission on Accreditation of the Council on Social Work Education. The undergraduate Sport Business program and MBA Sport Business Concentration are accredited by the Commission on Sport Management

Accreditation. The University also has teacher education programs approved by the State of Florida Department of Education.

The University also holds memberships in the following organizations:

- American Association of Adult and Continuing Education
- American Council on Education (ACE)
- Association of Catholic Colleges and Universities
- Association of Governing Boards of Universities of Florida (ICUF)
- National Association of Independent Colleges and Universities
- National Association of Institutions for Military Education Services (NAIMES)
- National Catholic Education Association
- National Collegiate Honor Society
- Private Colleges and Universities of Florida
- University Continuing Education Association (UCEA)

### Academic Organization, Degrees and Fields of Study

All campuses follow a common curriculum and academic standards prescribed by the Vice President of Academic Affairs. The following table presents a history of degrees conferred by the University for the five-year period beginning academic year 2013-14:

<u>Academic Year</u>	<u>Associate Degrees</u>	<u>Bachelor's Degrees</u>	<u>Master's Degrees</u>	<u>Doctorate Degrees</u>	<u>Total Degrees Conferred</u>
2013-14	858	2,720	1,298	0	4,876
2014-15	743	2,679	1,431	0	4,853
2015-16	774	2,645	1,454	0	4,873
2016-17	708	2,398	1,438	3	4,547
2017-18	668	2,205	1,410	4	4,287

The University offers degrees in more than 142 programs, including degree programs at the undergraduate, graduate, and the doctoral level, including those listed below. The University often adds or teaches programs based on demand and as such, the programs below should be viewed as examples of programs offered and does not include every program. The University currently has five Associate of Arts degrees, 56 Bachelor degrees, 37 Master degrees, five Doctoral degrees, and 39 Minors. Not all programs are offered on the Campus, the Online Learning Centers, or at the Education Centers.

#### Undergraduate Degree Programs:

Accounting	English with Education Minor
Biology	Global Studies
Biology with Education Minor	Health Care Administration
Business Administration	History
Communication Management <sup>(1)</sup>	History with Education Minor
Computer Information Systems	Human Resources Management <sup>(2)</sup>
Computer Science	Human Services
Criminal Justice	Information Technology
Cybersecurity	International Tourism and Hospitality
Economics <sup>(1)</sup>	Management <sup>(1)</sup>
Educational Studies	Liberal Arts
Elementary Education	Liberal Studies
English	Management

Marketing <sup>(1)</sup>	Psychology
Mathematics	Religion
Mathematics with Data Science Specialization	Secondary Education
Mathematics with Education Minor	Social Work
Middle Grades Education	Sociology
Multimedia Management <sup>(1)</sup>	Sport Business <sup>(1)</sup>
Political Science	

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### Master's Degree Programs

Accounting Specialization<sup>(3)</sup>  
Behavioral Studies Specialization  
Corrections Specialization<sup>(3)</sup>  
Creative Writing  
Criminal Justice  
Criminal Investigations Specialization  
Cybersecurity  
Cybersecurity Management Specialization<sup>(3)</sup>  
Data Analytics Specialization<sup>(3)</sup>  
Educational Leadership Catholic School Administrators  
Educational Leadership Specialization  
Emergency and Disaster Management  
Emergency and Disaster Management Specialization<sup>(3)</sup>  
Exceptional Student Education (five year to master degree program)  
Exceptional Student Education Specialization  
Fire Science Administration Specialization<sup>(3)</sup>  
Forensic Science Specialization<sup>(3)</sup>  
Health Care Management Specialization<sup>(3)</sup>  
Human Resource Management Specialization<sup>(3)</sup>  
Human Services Administration  
Instructional Design  
Instructional Leadership and ESE Specialization  
Instructional Leadership and Reading Specialization  
Instructional Leadership Specialization  
Legal Studies Specialization<sup>(3)</sup>  
Marketing Specialization<sup>(3)</sup>  
Master of Accounting  
Master of Business  
Master of Business Administration (one year international and experiential)<sup>(3)</sup>  
Project Management Specialization<sup>(3)</sup>  
Psychology  
Reading Specialization  
Social Media Marketing Specialization<sup>(3)</sup>  
Social Work  
Sport Business Specialization<sup>(3)</sup>  
Supply Chain Global Integration Management Specialization<sup>(3)</sup>  
Theology

### Doctoral Programs

Business Administration in Management  
Criminal Justice  
Education

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<sup>(1)</sup> Offered only at the Campus.

<sup>(2)</sup> Offered only at Education Centers and via the Online Learning Center.

<sup>(3)</sup> Offered only via the Online Learning Center.

## Honors Program and Accelerated Programs

The University's Honors Program serves the needs and interest of highly motivated and academically talented students, providing them with an opportunity to reach their potential as independent, self-actuated learners and community leaders. The Honors program is affiliated with the National Collegiate Honors Council, an organization of more than 700 colleges and universities that serves as the national organization for Honors programs. In addition, the University participates in the Southern Regional Honors Council, which is an affiliate of the National Collegiate Council.

The University also offers qualifying students the ability to undertake an academic schedule that permits them to earn both their undergraduate and graduate degrees in an abbreviated time frame. Students progress through the 3+1 Accelerated Program by taking additional courses through the year including on-ground, online and summer course options. Programs offered include:

- Bachelor of Arts in Management + One Year International and Experiential Masters in Business Administration
- Bachelor of Arts in Marketing + One Year International and Experiential Masters in Business Administration
- Bachelor of Science in Computer Science + Masters of Sciences in Cybersecurity

The University similarly offers a 3+3 accelerated law program with two Florida law schools. Students are required to maintain a 2.5 grade point average (GPA) in order to remain eligible for the program.

## Campus Facilities and Activities



## Facilities

The Campus for the University is located on 215 acres in Saint Leo, Florida, in Pasco, County. Adjacent to Lake Jovita, the Campus is approximately 35 miles north of Tampa, Florida and about an hour's drive to Orlando, Florida and the beaches of St. Petersburg, Florida.

Campus buildings unite the tradition of the past with objectives of modern education through a combination of Spanish Florida baroque and contemporary architecture. The University campus includes academic buildings, library, fitness and health centers, resident halls, athletic fields and facilities, bookstore, dining hall and convenience store. There are over 70 student clubs including religious and fraternal organizations.

The Campus has a total of six main academic buildings. Julia Deal Lewis Hall of Science is a three-story building occupied by the Department of Mathematics and Sciences, which includes biology, chemistry, physics, and research laboratories. The William G. and Marie Selby Auditorium, adjoining Lewis Hall at the ground and second-floor levels is a teaching auditorium with tiered seating. Kirk Hall is a four-story building occupied by a mix of programs from the School of Arts & Sciences and the School of Education. The four-story School of Business building is occupied by the Tapia College of Business, including Accounting, Finance, Marketing, Management, Sports Business, and Business Administration as well as programs within the Center for Cybersecurity Education. St. Edwards, is occupied by a mix of programs from the School of Arts & Sciences and the School of Education. The Music Building houses the music program, and the Fine Arts Building is occupied by the Fine Arts program.

The Student Community Center is the hub and focal point for campus social activities and provides dining and recreational spaces for students, faculty, staff and community members for meeting, eating and socializing. On the ground floor is the dining room, with open-air ceiling into the first floor, which houses the campus bookstore, snack shop, convenience store, large lounge area and a series of meeting rooms. The Student Activities Building houses the offices of Student Affairs, Student Involvement, Greek Life, Multicultural and International Student Services Affairs office and Student Government as well as other student organizations on the first floor. The second floor houses the Center for Student Success and the Career Planning Department. The Clock Tower houses a small multifunctional room used for small group liturgies. These three buildings are connected by an open air plaza.

The Marion Bowman Activities Center is a facility for teaching and recreation as well as the location of the Department of Intercollegiate Athletics. The main gymnasium is used for intercollegiate sports, recreation, lectures, and other educational and social activities. Academic classrooms, an athletic training room, a fitness center with cardio and weight equipment, and group fitness room are also located in the facility. The Recreation Department operates a large heated outdoor swimming pool and sunning deck adjacent to the Activities Center.

The Daniel A. Cannon Memorial Library is named in honor of longtime trustees and donors Daniel A. and Elizabeth T. Cannon. The three-level building overlooking Lake Jovita houses the library collections, research stations, media services center, student computer lab, and University Archives. The Hugh Culverhouse Computer Instruction Center and Video Teleconferencing Classroom are located on the lower level.

The lakefront at Lake Jovita includes a pavilion and beach volleyball court, provides opportunities for canoeing, kayaking, paddle boarding, and rowing.

Additional buildings houses administration, faculty offices, University ministry, and health and counseling services.

## Campus Housing

Thirteen (13) residence halls offer traditional community-style double or single room, or an on campus apartment or suite. All University Campus students are required to live on campus (with exceptions allowed for those students living and commuting from home, married students, veterans, non-traditional students or senior students). The amenities include furnished living quarters, Wi-Fi, cable, laundry, as well as meal plan options.

The following sets forth a brief description of each of the residence halls on campus:

- Marmion and Snyder residence hall complex provide separate housing for first year male and female students, housing the “Lion’s Den” which is a large lounge providing recreation and cardiovascular equipment and large-screen television.
- Benoit and Henderson Hall are traditional style residence halls which house first year students. Benoit Hall houses over 120 male students and Henderson Hall houses over 180 female students.
- Alumni Hall houses Honors eligible and 3+1 Accelerated Degree Program students.
- Roderick Hall houses upperclassmen with suite-style living. Each room has a private bathroom and private entrance.
- Apartments 1-4 are located near Lake Jovita, offering four single rooms or two double rooms with two bathrooms, a common living room, and either a full kitchen or kitchenette.
- Apartments 5-6 are the newest residence halls which opened in Fall 2012 and Fall 2013, located next to the student community center. These apartments offer suite-style living. Each suite has four single bedrooms, two bathrooms, a common room closet and living area which features a 46” flat screen television.
  - Apartment 5 features a 2,100-gallon saltwater aquarium, relaxation room with state of the art Energy Pods, fitness room, conference room, and game room with pool tables, air hockey, arcade racing, pinball, skee-ball, foosball and dome-hockey.
  - Apartment 6 hosts the Residence Life Office and a multi-media room.
- East campus housing is located four miles from Campus. Residents living in East campus must have their own transportation to and from Campus. East campus apartments have two bedrooms, two baths, a full kitchen, a common living room, washer and dryer, and a balcony. Due to occupancy rates, the University closed one of its east campus apartment buildings in summer 2018 and will remain closed until occupancy rates increase.

The following table shows the demand and occupancy for University’s available on-campus (including east campus) housing facilities for the previous five years, as of August 15 of each year:

Term	Total Residents	Capacity	% Occupied
Fall 2014	1,446	1,582	91.4%
Fall 2015	1,517	1,583	95.8%
Fall 2016	1,513	1,583	95.6%
Fall 2017	1,404	1,577	89.0%
Fall 2018	1,429	1,542	92.7%

The following table shows annual revenue derived from on-campus housing:

Term	Freshman Average Cost	Upperclass Average Cost	Freshman Average Occupancy*	Upperclass Average Occupancy*	Freshman Annual Revenue	Upperclass Annual Revenue	Total Annual Revenue
Fall 2014	\$2,601	\$3,635	518	867	\$2,694,636	\$6,303,090	\$ 8,997,726
Fall 2015	2,668	3,742	557	898	2,972,152	6,720,632	9,692,784
Fall 2016	2,759	3,872	526	909	2,902,468	7,039,296	9,941,764
Fall 2017	2,840	4,006	450	917	2,556,000	7,347,004	9,903,004
Fall 2018	3,081	4,261	467	886	2,877,654	7,550,492	10,428,146

\* Fall 2014 – Fall 2017 based on average weekly occupancy from fall through the following spring term. Fall 2018 numbers is an average based on year to date and not a full year.

### Athletics

The University is a member of the Sunshine State Conference (the “SSC”) and supports 20 NCAA Division II athletic teams involving more than 375 athletes. The athletic teams include men’s and women’s basketball, cross country, golf, lacrosse, soccer, swimming and tennis, as well as men’s baseball and women’s softball. The University is home of the 2016 NCAA Division II men’s golf national title, the 2016 men’s individual golf champion and the 2017 NCAA Division II women’s individual golf champion. The University has been first in the SSC in three (3) of the last four (4) years (2015, 2016 and 2018) and was second in the Learfield Directors’ Cup Standings in 2016 and fourth in 2018. The University has 13 different intramural sports and recently, in the spring of 2018, added beach volleyball as a school sport. The University plans to add acrobatics and tumbling in the Spring of 2020.

### **The Projects**

#### 2019 Project

A portion of the proceeds of the Series 2019 Bonds will be used to finance, or reimburse the University for the costs of a portion of the “2019 Project,” including the acquisition, construction, and equipping of various educational facilities, including, without limitation, a wellness center. The Wellness Center is planned as a 52,000 square foot recreational and social activities facility, with fitness facilities, intramural courts, pool, recreational programs, health services, and event spaces. A portion of the proceeds are also expected to be used to finance an expansion or addition of the University’s dining facility.

The University may add, delete and modify projects and the application of Series 2019 Bond proceeds, consistent with applicable tax regulations. If the actual cost of the 2019 Project is less than the University’s estimates, the Project may be expanded to include other equipment and capital improvements comprising part of the University’s master plan.

#### Refunded Project

A portion of the proceeds of the Series 2019 Bonds will be issued to refund the Series 2012 Bonds (collectively, the “Refunded Indebtedness,” as further described in the Official Statement under “PLAN OF FINANCE – Refunded Bonds and Refunded Project”). The Refunded Indebtedness were issued to finance or refinance the Refunded Project as described below.

The Refunded Project consisted of the acquisition, construction and equipping of various educational facilities at the Campus, including, without limitation, residence halls, academic buildings,



parking facilities, a student community center, chiller plant and other structures, essential or convenient for the operations of the University.

## Student Recruitment and Enrollment

### Applications and Enrollment

At the Campus, students primarily apply for full-time enrollment for the Fall semester to be a part of the incoming class; however, students may apply to Worldwide at any time to begin during one of the six start dates throughout the year. All admissions to the University are made on a rolling basis.

The following table shows the University's applications, acceptance, and matriculation rates for new students entering for the Fall term in the years indicated:

<u>Academic Year</u>	<u>Applied</u>	<u>Accepted</u>	<u>% Accepted*</u>	<u>Enrolled</u>	<u>% Enrolled</u>
Fall 2014	3,490	2,511	71.9%	617	24.6%
Fall 2015	3,865	2,803	72.5%	659	23.5%
Fall 2016	4,501	3,139	69.7%	607	19.3%
Fall 2017	3,320	2,912	87.7%	535	18.4%
Fall 2018	3,506	2,955	84.3%	561	19.0%

\* Acceptance rate is calculated by the number of acceptances/total number of applications.

Total full-time equivalent enrollment for the University for the previous ten (10) academic years is depicted below.

	Fall 2009	Fall 2010	Fall 2011	Fall 2012	Fall 2013	Fall 2014	Fall 2015	Fall 2016	Fall 2017	Fall 2018
<u>FTE Enrollment*</u>										
Undergraduate On Campus	1,681	1,825	1,887	2,124	2,191	2,231	2,312	2,220	2,085	2,047
Undergraduate Worldwide	7,912	8,433	8,484	8,154	8,035	7,890	7,406	6,760	5,797	5,062
Graduate Worldwide	2,363	2,786	2,827	3,182	3,580	3,711	3,717	3,542	3,331	3,035
<b>Total</b>	<b>11,956</b>	<b>13,044</b>	<b>13,198</b>	<b>13,460</b>	<b>13,806</b>	<b>13,832</b>	<b>13,435</b>	<b>12,522</b>	<b>11,213</b>	<b>10,144</b>

\* Each fall semester is divided into two (2) terms, Fall 1 and Fall 2. FTE Enrollment numbers are based on the Fall 1 term.

### Recruitment and Retention Strategy

The University has implemented an aggressive recruitment strategy which seeks to recruit both domestic and international students in multiple ways. As part of its campus marketing and enrollment strategy, the University is, among other efforts, (i) developing new divisions within the admissions office to focus on global engagement and undergraduate campus admissions, (ii) expanding its regional counsel recruitment representatives (in the Midwest, South Atlantic, Northeast, Mid-Atlantic and South Central regions of the country), (iii) expanding its international recruitment efforts, (iv) expanding student targeting with data modeling, direct mailers and specific college events, (v) focusing on year round outreach to high school sophomores, juniors and seniors through targeted data models, and (vi) increasing the number of recruitment events. Currently, the admissions office of the University participates in hundreds of recruiting

events across the country. The University also provides campus tours to visiting prospective students daily. The University now serves students from all 50 states, the District of Columbia, three (3) U.S. territories, 92 countries and has also become the leading provider of higher education to the U.S. military. Approximately 63% of the Fall 2019 freshman class are from Florida, 14% from the Northeast region of the country and 13% are international.

In addition to recruiting efforts related to the Campus, the University has also implemented marketing and enrollment strategies for its Worldwide division. As part of this strategy, the University is (i) continuing to utilize better performing lead channels, (ii) expanding digital marketing best practices across all learning segments, (iii) increasing the development of website content to increase organic leads, (iv) developing and launching a revised University brand mark and logo and improving brand reputation across all key marketing segments (e.g. parents, counselors, working adults, military, business and peer institutions), (v) enhancing program differentiation and working with the academic team to identify opportunities for new programs, and (vi) optimizing recruitment infrastructure to improve the experience from first touch through the enrollment process.

Prior to Dr. Kumar joining the University in April 2018, the University experienced varying leadership and policies in its admissions process. Under Dr. Kumar's leadership, the University has made notable changes to its admissions process such as:

- A fully test optional admissions policy (SAT and ACT) which also takes into consideration a student's academic rigor when reviewing a prospective student's admission application;
- Utilization of an unweighted GPA;
- Creation of the Center for Global Engagement, designed to better recruit and serve an increasing number of international students;
- A significant reduction in the number of waived deposits; and
- The restructure of the admissions team to include regional recruitment positions, in-depth training for all staff members, and succession planning, including the adoption of a data driven and recruitment mentality.

With the changes noted above, the University has experienced an increase in its engagement with prospective students at its events. During the current recruiting cycle of August 2018 to April 2019, the University has hosted 811 prospective students compared to 423 during the same period the prior year. Based on data as of April 4, 2019, the changes to its enrollment strategy have resulted in the same or slightly higher quality of students for first time and transfer students compared to previous admission cycles. The changes in admissions leadership and the process has also resulted in a greater number of deposits compared to previous admissions cycles. As of April 4, 2019, 428 accepted first time and transfer students have paid deposits, compared to 302 students as of the same date for the prior year. As of April 22, 2019, 545 accepted first time and transfer students have paid deposits, compared to 411 students as of the same date for the prior year.

As part of the University's strategic plan, there are multiple initiatives underway that are presently yielding results toward increased applications and current student retention. Central to growth in applications is a focus on international students to Campus where nearly 15,000 leads have been generated with several new recruitment partners in countries across Southeast Asia and the Caribbean. Program offerings at the University have been re-envisioned and expanded with six (6) additional degree programs being currently implemented for Worldwide and on-campus students, in addition to launching a new set of upcoming Health Sciences programs. The University also now has a Catholic high school initiative underway for schools in the state of Florida to better build focused recruitment relationships.

Achievement and retention of students is a major focus of the strategic plan and looks to improve the system of student retention, enhances the honors program, creates a university college model, and seeks to improve the student advising model. The hire of a new Vice President of Student Affairs, in addition to key academic program initiatives, defined strategies to create student-desired co-curricular activities, creating and implementing an enhanced military/veteran student plan and an athletic/recreation student plan are a part of a multipronged effort focused on student retention. Building a new Wellness Center on Campus is an important part of the University's focus on renewing infrastructure to both attract and retain students.

#### Retention Rates

The five-year average fall-to-fall first-time in college student (freshmen) retention rate for full-time students was 70.6% for the Fall 2012 through Fall 2016 classes. The following table lists these retention rates (percentage of students who began their studies in the year listed and returned the following fall) for the academic years commencing Fall 2012 through Fall 2016 for the University:

	<u>Fall 2012</u>	<u>Fall 2013</u>	<u>Fall 2014</u>	<u>Fall 2015</u>	<u>Fall 2016</u>	<u>Fall 2017</u>
First Year Retention Rate	73.0%	69.0%	68.0%	71.0%	72.0%	72.0%

#### Graduation and Program Completion Rates

The following table lists the six-year graduation rate for the University for the fiscal years ending 2014 through 2018 (based on the cohorts commencing Fall 2007 through 2011):

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Six-Year Graduation Rate	46%	45%	45%	40%	45%

The following table lists the completion rates for graduate degree programs at the University for the fiscal years ending 2014 through 2018:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Graduate Degree Completion Rate	52.5%	53.5%	50.9%	52.0%	52.9%

#### **Tuition, Fees, Room and Board**

The University generates revenue primarily from tuition, but also receives revenues from mandatory and optional fees, room and board charges, gifts, public and private grants and contracts, and endowment income. Approximately 85.3% of the annual operating budget comes from net tuition and fees and Campus tuition consisted of approximately 19.9% of all revenue of the University.

The table below shows annual full-time (12 credit hours or more) student tuition and mandatory fees and average costs for room and board for the last four (4) academic years.

#### Saint Leo University Cost of Attendance

<u>Academic Year</u>	<u>Tuition &amp; Fees</u>	<u>Room &amp; Board</u>	<u>Total</u>	<u>% Change</u>
2014-15	\$20,420	\$11,280	\$31,700	--
2015-16	\$20,830	\$11,286	\$32,116	1.3%
2016-17	\$21,440	\$11,680	\$33,120	3.1%
2017-18	\$22,220	\$12,300	\$34,520	4.2%
2018-19	\$23,020	\$12,728	\$35,748	3.6%

As a matter of practice, the Board is presented with comparative data and benchmarking results like those above when considering changes to tuition rates. The Board is then briefed on projected enrollment trends, fixed and variable expense growth, student debt levels, and a variety of other internal and external economic factors, all of which are discussed by the Board prior to final approval of any changes to tuition rates. These rates are typically approved during the October Board meeting. Mandatory and optional fees are delegated to administration's discretion, but a similar process is followed by administration. University leadership have reviewed expenses to streamline or eliminate those expenses that would not impact future enrollment. For further on the University's residence halls at the Campus, see "General Purpose and Academic Facilities – Campus Housing" herein.

Like its peers, the University discounts its tuition and fees and regularly evaluates and reviews its strategy relating to such discounts. The table below shows the average discount rate amount for new (or first-time in college) full-time undergraduate students attending the Campus, all full-time undergraduate students attending the Campus, all full-time undergraduate Worldwide students, and for all full-time undergraduate students of the University for the previous five (5) fiscal years.

<u>Fiscal Year Ended June 30</u>	<u>New Campus Students</u>	<u>All Campus Students</u>	<u>Worldwide Students</u>	<u>All University Students</u>
2014	41.7%	40.5%	0.9%	13.0%
2015	39.6	40.8	0.7	13.5
2016	43.1	42.5	0.8	14.9
2017	44.0	42.1	0.9	16.0
2018	47.7	42.0	0.8	16.9

## Competition

The University's competition (its "peers") comes primarily from other colleges and universities, both public and private, located in the area of central Florida.

Benchmarking against multiple peers indicates that the College's tuition and fees are highly competitive. Below are the estimated tuition and fees for each of the University and the University's peers which are also private institutions.

### Tuition and Fees for Beginning Students 2017-2018 (private institutions)

<u>Saint Leo</u>	<u>Florida Southern College</u>	<u>Lynn University</u>	<u>Rollins College</u>	<u>Stetson University</u>	<u>University of Tampa</u>
\$22,220	\$34,774	\$37,510	\$48,335	\$44,490	\$28,426

Below are the estimated tuition and fees for each of the University's peers which are Florida public institutions and the tuition and fees for these institutions vary based on whether the student is a resident of Florida (in-state) or not (out-of-state).

### Tuition and Fees for Beginning Students 2017-2018 (public/state institutions)

	<u>Pasco-Hernando State College</u>	<u>University of Central Florida</u>	<u>University of South Florida</u>
In-state	\$ 3,155	\$ 6,368	\$ 6,410
Out-of-state	\$12,032	\$22,467	\$17,324

## Student Financial Aid

For fiscal year 2019, 42% of all undergraduate students and 46% of first-time in college undergraduate students were Pell Grant recipients. More than 73% of all undergraduate students of the University and 98% of undergraduate students attending the Campus received some form of financial assistance in 2017-18. Students attending the Campus also receive tuition discounting; however, little to no tuition discount is received by graduate and Worldwide students. See “Tuition, Fees, Room and Board” above. The table below indicates sources of student financial aid for the fiscal years indicated:

Source	2013-14	2014-15	2015-16	2016-17	2017-18
Grants	\$ 39,576,126	\$ 45,467,427	\$ 43,496,215	\$ 37,845,420	\$ 36,955,824
Scholarships	20,333,842	21,571,031	22,813,291	20,977,397	25,551,924
Federal Work Study	403,635	664,191	699,999	634,951	338,196
Federal Student Loans	125,096,257	134,773,754	134,550,239	124,155,002	109,907,524
Private Student Loans	1,519,863	2,304,934	2,407,742	2,533,327	2,598,727
Third-Party Scholarships	396,670	895,134	1,011,199	907,716	476,746
Tuition Remission	2,358,577	2,850,398	2,923,847	2,726,480	2,643,170
<b>Total</b>	<b>\$189,684,970</b>	<b>\$208,526,869</b>	<b>\$207,902,532</b>	<b>\$189,780,293</b>	<b>\$178,472,110</b>

## Strategic Plan

Renaissance 2021 is the University strategic plan used to focus the institution on its next stage of accomplishments. The core focus of the University is providing a superior higher educational experience to students wherever they live and study. The strategic plan has three themes of focus - culture, academics and growth.

To enhance its culture, the University plans to create a student-centered, staff vitality focused, one-University-community ethos by creating an excellent service environment, establishing an employee vitality program and building a “One-University-Community” Ethos. Action items to accomplish these goals include:

- Measurably strengthening services for prospective and current students;
- Measurably strengthening services between internal departments;
- Developing a University technology services plan;
- Establishing a Talent Management System;
- Establishing and implementing professional development programs;
- Creating and implementing a University Staff Council;
- Creating a Leadership and Management Philosophy; and
- Creating an Integrated Communication Plan.

Second, the University plans to enhance its academics with broad student engagement and excellent results by re-envisioning existing programs and developing new ones, augmenting student engagement and increasing student satisfaction, and improving student achievement and retention. Action items to accomplish these goals include:

- Adopting Health Science Programs
- Defining, reviewing and investing in Flagship Programs
- Conduct annual reviews of existing programs
- Developing and Implementing New Programs and a New Program Process
- Creating Student-Desired Co-curricular Activities

- Creating a Military/Veteran Student Plan
- Creating an Athletic and Recreation Program Plan
- Building a Campus Wellness Center on Campus
- Improving the System of Student Retention
- Enhancing the Honors Program
- Creating a University College model
- Improving the student advising model

Third, the University plans to create sustainable growth by enhancing its reputation and brand awareness, building a global presence and engagement and developing new markets, partnerships and funding. The key action items for these goals include:

- Seeking External Recognitions and Evidence of Results
- Executing a University Brand Campaign
- Increase New Student Enrollments on Campus, online and at the centers (undergraduate and graduate)
- Increase International Student Enrollments at Campus
- Create International Academic Partnerships
- Improve Student Experience and the Quality of International Student Services
- Build a University Center's Plan
- Explore and Create New Strategic Partnerships
- Implement Mini-campaigns and/or Campaign Fundraising Plan

### **Accounting Matters**

The University's financial statements, as of and for the fiscal year ended June 30, 2018, are included as Appendix B to this Official Statement. The University's financial statements are presented in accordance with Accounting Standards Codification 958 (ASC 958), Not-For-Profit Entities which requires the presentation of the statements of the University as a whole and with balances and transactions presented according to the existence or absence of donor-imposed restrictions. The University maintains its books in accordance with the principles of fund accounting; however, it reports its financial statements by breaking down the existing fund balances into the three classifications of net assets required by ASC 958: permanently restricted, temporarily restricted and unrestricted.

Permanently restricted net assets are subject to donor-imposed restrictions that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments.

Temporarily restricted net assets are subject to donor-imposed restrictions that can be fulfilled by actions of the University pursuant to those restrictions or that expire by the passage of time.

Unrestricted net assets are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.

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## Historical Operating Results

As a matter of practice, the University implements annual operating budgets with projected expenditures plus debt service balanced by an equivalent or greater amount of projected revenues. The annual operating budget for the University is approximately \$154 million. Set forth in the table below is the University's unrestricted net operating surplus and operating surplus available for debt service for the time periods indicated:

	Fiscal Year Ending June 30				
	2014	2015	2016	2017	2018
Unrestricted net operating revenue	\$163,995,281	\$170,306,892	\$170,468,958	\$166,915,235	\$157,283,395
Less unrestricted operating expense	152,883,817	161,382,384	172,649,132	162,930,225	160,420,908
Unrestricted operating surplus	11,111,464	8,924,508	(2,180,174)	3,985,010	(3,137,513)
Plus depreciation, amortization and interest expense	10,320,530	10,785,876	11,713,275	12,009,881	10,255,417
<b>Unrestricted operating surplus available for debt service</b>	<b>\$21,431,994</b>	<b>\$19,710,384</b>	<b>\$9,533,101</b>	<b>\$15,994,891</b>	<b>\$7,117,904</b>
Net Tuition & Fee Revenue	\$143,375,888	\$147,395,584	\$147,407,252	\$141,431,986	\$132,591,540

## Investments and Net Assets

The market value of the University's investments for the time period indicated is summarized in the table below. For information regarding the investment and spending policy of the University, see "Administration's Discussion and Analysis – Investments and Spending Policy" below.

	Investments/Endowment Asset Composition (in thousands)				
	2014	2015	2016	2017	2018
Permanently restricted	\$10,001	\$10,677	\$ 11,631	\$12,681	\$13,120
Temporarily restricted	3,154	2,734	1,787	2,700	2,947
Unrestricted	44,267	44,892	48,796	53,239	56,194
Total investments	\$57,422	\$58,303	\$62,214	\$68,620	\$72,261

**Average Age of Plant, Capital Improvements and Deferred Maintenance:** The University has historically used cash from operations to fund capital improvements and deferred maintenance. The University has historically budgeted between \$4 million and \$8 million per year for capital projects. During fiscal year 2019, the University has budgeted for \$5.2 million of capital improvements.

The University's 10-year deferred maintenance project list is \$11.3 million. This includes \$4.7 million in electrical and HVAC work, the replacement of \$2.9 million in windows (both residential buildings and academic/administrative buildings), and \$3.7 million in other building and infrastructure projects, including the replacement and reconditioning of university roofing, plumbing, and fire protection systems. The University typically budgets between \$1 and \$2 million per year for these improvements, including \$1,148,000 in fiscal 2019 for approved projects.

The average age of plant for fiscal years 2012 through 2018, is set forth below.

	2012	2013	2014	2015	2016	2017	2018
Accumulated Depreciation	45,495,033	47,605,388	56,638,203	66,079,216	76,624,101	87,359,905	82,272,030
Depreciation Expense	4,929,607	8,354,997	9,209,401	9,481,717	10,582,391	10,745,213	8,919,254
<b>Average Age of Plant</b>	<b>9.23</b>	<b>5.70</b>	<b>6.15</b>	<b>6.97</b>	<b>7.24</b>	<b>8.13</b>	<b>9.22</b>

*Notes:*

*Average Age of Plant based on S&P calculation.*

*2012-2014 depreciation expense includes amortization expense.*

*The University completed a number of building projects in 2012 and Kirk Hall was completed in 2015 (approximately \$14 million). No significant projects have been completed since Kirk Hall.*

## Administration's Discussion and Analysis

**Historical Financial Information:** The University missed budgeted revenues by approximately \$10 million in Fiscal Year 2016. Revenue was flat to the prior year, however, the University anticipated continued growth in line with enrollment trends experienced over the previous three years. The University's leadership team reviewed expenses to streamline or eliminate expenses that would not impact future enrollments. Leadership cut \$1.0 million from operating budgets and slowed or paused hiring. The leadership team also restructured the organization, eliminating redundancies, saving approximately \$4.0 million in labor and benefits per year going forward. Bringing some facilities in-house increased labor and benefits by \$3.2 million, resulting in approximately a net \$500,000 reduction. The University's cost cutting initiatives reduced expenses by \$9.7 million in Fiscal Year 2017 which returned the University to an unrestricted operating surplus of \$3,985,010. In Fiscal year 2018 Management further reduced operating expenses by an additional \$2.5 million. In Fiscal Year 2019, expenses are expected to be reduced an additional \$2.0 million and the University expects to meet its board-approved budget for fiscal year 2019 which will result in a GAAP adjusted unrestricted operating loss of approximately \$8 million. The University's implementation of its recruitment and retention strategy as described herein and together with early indications of acceptances for the Fall 2019 incoming freshman class for the Campus, is expected to result in the FYE 2020 unrestricted operating loss being further reduced and the University returning to a surplus position in fiscal year 2021. See "Strategic Plan and recruitment and retention" above.

**Budget Process:** The University's budget cycle begins with assessing tuition and fees. Campus Admissions, Marketing & Enrollment, Residential Life, and Dining review and recommend rates based on demand, review of comparative data, and other appropriate internal and external factors. These rates are typically approved during the October Board meeting. Marketing and Enrollment and Campus Admissions teams provide projections by segment: campus, worldwide – centers, worldwide – online, and graduate. Projections are broken out between new enrollments and continuing enrollments by term and by year, which is updated after the freeze period each term. Additionally, Marketing and Enrollment update growth factors. The Director of Budgets updates the assumptions and expense trends based on actual experience and any internal discussions within leadership relating to assumptions. At that time, expense budget spreadsheets are sent to departments. Each department budgets operating expenses, and requests new hires, capital needs, computer equipment needs, and work study/federal work study and part-time summer positions. Each Division's Vice President reviews their division's budget requests and makes adjustments prior to the Director of Budgets rolling up all budgets. The first pass goes to all of the Vice Presidents in late January to review and make recommendations prior to the President making changes. There are multiple drafts until the President is ready to make final changes and/or cuts. The capital budget is then compiled based on needs, a majority of which is related to technology or facilities. The final proposed budget from the President's office is reviewed and approved by the Board at the April Board meeting.



The University reviews financial results versus the budget on a monthly basis and in December begins forecasting to year-end. Based on the monthly analysis, the President and the Cabinet review options to address any revenue or expense concerns.

***Investments and Spending Policy:*** Funds held pursuant to the Bond Indenture are required to be invested in “Permitted Investments.” Other funds of the University, however, are not required to be invested in “Permitted Investments.”

Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Pursuant to its investment and spending policies, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 5% over the long term. Actual returns in any given year may vary from this amount. The University’s policy permits appropriation for distribution each year 4%-5% of the average of its endowment funds of the three preceding fiscal years in which the distribution is planned; however, for over the past decade, the University has not taken a draw on its endowment to provide support to its operations or programs but has only taken the required annual draw to satisfy restricted gifts. The University has replenished such draw with a deposit of an equal amount to the unrestricted portion of its endowment from the University’s operational funds. See also Note 11 in “APPENDIX B.” Although this has been a past practice of the University, there is no assurance that the University will continue to do so in the future.

The University also sponsors fundraising events each year, including the Spirit of Saint Leo (SOS) Golf Tournament that raises money for the Athletic Excellence Fund. The University has other events like Alumni Weekend with the main goal of developing long-term alumni engagement.

Over the past 5 fiscal years (2014 to 2018), donations to the University have totaled more than \$17,750,000 with the average gift equal to \$2,139. Of the \$17,750,000, approximately \$8.8 million was restricted.

***Growth Strategies:*** The University is engaging in conversations with a number of private not-for-profit colleges within and outside the State of Florida to discuss potential partnerships, shared service arrangements, and the potential of no-cost acquisitions (other than costs related to the integration). Any acquisition would require the approval of SACSCOC and could take up to 24 months to complete. The University’s experience managing multiple locations across multiple states will allow for a quicker and smoother transition of operations. This provides the University with additional revenue generating opportunities with new or expanded programs and services available to students while allowing for expense reductions by eliminating or streamlining redundancies. The University would benefit with an expanded market presence for online and graduate programs, access to adult learners in those local markets, and access to the partner college’s alumni base to either complete their undergraduate degree or begin a graduate program. The partner college would be able to reduce operating expenses, expand/enhance enrollment and marketing plans, as well as be able to provide additional support and opportunities to its students.

## **Outstanding Indebtedness**

The University has an existing taxable line of credit in a principal amount of \$10,000,000 secured by a mortgage on the Campus. Currently, there are no outstanding borrowings under the existing line of credit. Such line of credit will be terminated, and related mortgage satisfied, on the date of issuance of the Series 2019 Bonds. The University anticipates that shortly after the date of issuance of the Series 2019 Bonds, the University will enter into a new revolving line of credit in a principal amount of \$10,000,000. It is unknown at this time if the new line of credit will be secured on a parity with or subordinate to the Series 2019 Bonds.

## **Interest Rate Swap Agreements**

The University currently has three interest rate exchange agreements (swap) with BB&T Bank (the “Swaps”), effectively converting the Refunded Bonds to a fixed rate. In connection with the issuance of the Bonds, the Swaps will be terminated. Proceeds received by the University from the termination of the swaps are expected to equal approximately \$42,039 (based on the fair value of the swaps as of April, 3, 2019) and will be used for paying a part of the cost of the Wellness Center.

## **Operating Leases**

The University has also entered into several noncancelable lease agreements, primarily for office space, transportation and office equipment, which expire through 2026. Total rental expense on operating leases was \$2,913,446 and \$2,751,929 in fiscal years ended 2018 and 2017, respectively, and is expected to be \$2,775,834 in fiscal year 2019. See also Note 12 to the audited financial statements in Appendix B.

## **Faculty and Employee Relations**

The University has approximately 218 full-time faculty members and over 1,100 part-time faculty members. One hundred eighty-one (181) of the full-time faculty have terminal degrees (83.0%) and 101 full-time faculty members are tenured.

The University’s total payroll and benefits for fiscal year ending June 30, 2018 was \$101,440,656.

The University faculty members are currently negotiating for a collective bargaining agreement with the University which would only include full-time faculty on the Campus. There are no current material issues with the ongoing negotiations. In addition, there are no material employee relations issues outstanding, or to the knowledge of the University threatened against it, that would have a material adverse effect on daily operations.

The University currently provides employees with the opportunity to participate in a retirement plan (403b) through VALIC. Eligible employees are automatically enrolled and must contribute at least 1% of their eligible compensation to participate. Participating employees may opt-out of the plan at any time. The University matches up to 9% of employee contributions based on a matching schedule for eligible plan participants. The plan is a defined contribution plan and University contributions vest immediately. The plan is fully funded. Additional discretionary matching contributions may be contributed at the discretion of the University’s Board of Trustees or through the collective bargaining agreement between the University and the faculty. The University’s policy is to fund retirement costs accrued.

The University also maintains a 457(b) Deferred Compensation Plan, limited to specific management and faculty positions. The deferred compensation is invested with VALIC and is considered University property until the employee withdraws the funds due to emergency, termination or retirement. The University does not contribute to this plan as any contributions into this plan is consideration compensation earned by the employee

## **Insurance**

The University maintains comprehensive insurance coverage on its assets through its membership in the Florida Independent Colleges and Universities Risk Management Association (FICURMA) program. The University is insured for commercial property, workers’ compensation, certain liability claims and various other programs by FICURMA and its insurance program. Buildings, other real property, personal property and equipment are insured against all risks of direct physical loss or damage, including windstorm and hail, on a replacement cost basis. Total Insurable Values for the 2018-2019 policy year are

\$290,850,694 and includes values for buildings, personal property, fine arts, mobile equipment, watercraft, vehicles, and business interruption.

- The University is insured under the FICURMA program for a commercial property limit of \$450,000,000 per occurrence. The main deductibles applicable to the University's property coverage are a \$10,000 all other perils deductible plus a 3% per unit of insurance per occurrence named windstorm deductible. As a member of the FICURMA insurance pool, the University shares this limit of insurance with the other members.
- Business interruption insurance is included in the above \$450,000,000 per occurrence property limit. Business interruption insurance protects the University against loss of income and/or extra expenses resulting from damage to University property and equipment. Business interruption losses have the same deductibles as noted in the property bullet above. As such, the University does not have a business interruption waiting period deductible except in cases of service interruption / off premises power claims where a 48 hour waiting period deductible applies.
- Losses from crime, including the acts of dishonest employees, are insured up to \$3,000,000 per claim and annual aggregate. In addition to employee theft claims, coverage is provided for forgery/alteration, computer theft, theft on or off premises, fraudulent transfers and social engineering. The deductible for this coverage is \$5,000 per claim.
- Fiduciary Liability coverage is carried with a limit of \$50,000,000 per claim and annual aggregate. This is a shared limit amongst all the FICURMA members and carries a retention of \$50,000 per claim.
- Environmental (pollution) liability coverage is carried with a limit of \$25,000,000 per claim and annual aggregate. This is also a shared limit amongst the FICURMA members and has retentions of \$25,000 per claim, except \$50,000 for mold claims.
- The University is also covered under the FICURMA program for liability claims up to a total limit of \$175,000,000 with \$0 deductible per occurrence / claim. Coverage includes:
  - Bodily injury and property damage for general liability and automobile claims;
  - Employee benefits liability and employer's liability claims;
  - Educators legal liability claims, which encompasses directors & officers' liability, employment practices liability and professional liability / errors and omissions.

## **Litigation**

The University from time to time is a party to various legal proceedings incidental to its operations. In the opinion of management of the University, there is no litigation currently pending, or to the knowledge of the University threatened against it, that will result in a material adverse effect on the University's financial condition or operations.

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## **APPENDIX B**

### **AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY FOR THE YEARS ENDED JUNE 30, 2018, 2017 AND 2016**

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**SAINT LEO UNIVERSITY, INC.**

Financial Statements and Supplemental Information

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)

**SAINT LEO UNIVERSITY, INC.**

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KPMG LLP  
Suite 1700  
100 North Tampa Street  
Tampa, FL 33602-5145

## **Independent Auditors' Report**

The Board of Trustees  
Saint Leo University, Inc.:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Saint Leo University, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saint Leo University, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



#### *Other Matter*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Financial Responsibility Composite Ratio Scores on pages 29-30 (the Schedules) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2018 on our consideration of Saint Leo University, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Saint Leo University, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Saint Leo University, Inc.'s internal control over financial reporting and compliance.

KPMG LLP

August 31, 2018

**SAINT LEO UNIVERSITY, INC.**

## Statements of Financial Position

June 30, 2018 and 2017

<b>Assets</b>	<b>2018</b>	<b>2017</b>
Cash and cash equivalents	\$ 3,754,252	11,502,758
Short term investments	4,749,897	3,112,797
Student accounts receivable, less allowance for doubtful accounts of \$1,222,245 in 2018 and \$5,401,699 in 2017	6,571,104	8,070,132
Grants receivable	148,199	148,057
Accounts receivable – other	31,719	392,049
Contributions receivable, net	2,105,016	2,917,046
Investments	68,687,140	65,120,866
Beneficial interest in trusts	3,573,655	3,499,592
Other assets	8,836,950	7,816,163
Interest rate exchange agreements	737,629	44,670
Land, buildings, and equipment, net of accumulated depreciation	134,702,944	139,226,598
Total assets	\$ 233,898,505	241,850,728
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 98,745	2,765,287
Accrued expenses and other liabilities	5,829,780	5,342,255
Interest rate exchange agreements	755	575,053
Accrued compensation	7,365,905	6,814,930
Deposits held in custody for others	168,272	161,041
Deferred revenue	446,213	531,643
Federal and state grants/loans refundable	89,809	75,813
Bonds payable, net	47,287,203	49,148,484
Total liabilities	61,286,682	65,414,506
Net assets:		
Unrestricted	153,648,551	157,946,637
Temporarily restricted	5,843,862	5,808,648
Permanently restricted	13,119,410	12,680,937
Total net assets	172,611,823	176,436,222
Total liabilities and net assets	\$ 233,898,505	241,850,728

See accompanying notes to financial statements.

**SAINT LEO UNIVERSITY, INC.**

Statements of Activities and Changes in Net Assets

Years ended June 30, 2018 and 2017

	June 30, 2018				June 30, 2017			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue, gains and other support:								
Tuition and fees	\$ 153,851,752	—	—	153,851,752	163,010,186	—	—	163,010,186
University funded scholarship allowances	(21,260,212)	—	—	(21,260,212)	(21,578,200)	—	—	(21,578,200)
Net tuition and fees	132,591,540	—	—	132,591,540	141,431,986	—	—	141,431,986
Sales of auxiliary enterprises	15,634,979	—	—	15,634,979	17,191,280	—	—	17,191,280
Contributions	20,519	250,743	303,288	574,550	253,935	1,385,357	426,698	2,065,990
Government grants	1,727,108	—	—	1,727,108	1,501,416	—	—	1,501,416
Investment earnings	3,859,652	948,222	—	4,807,874	2,588,253	661,611	—	3,249,864
Change in interest rate exchange agreements	1,267,257	—	—	1,267,257	1,978,680	—	—	1,978,680
Other revenues	425,987	791,166	—	1,217,153	420,524	863,974	—	1,284,498
Total other revenue and gains	22,935,502	1,990,131	303,288	25,228,921	23,934,088	2,910,942	426,698	27,271,728
Net assets released from restrictions	1,756,353	(1,756,353)	—	—	1,549,161	(1,549,161)	—	—
Total revenue, gains and other support	157,283,395	233,778	303,288	157,820,461	166,915,235	1,361,781	426,698	168,703,714
Expenses:								
Educational and general:								
Instructional	53,588,192	—	—	53,588,192	54,523,817	—	—	54,523,817
Academic support	16,983,832	—	—	16,983,832	17,314,166	—	—	17,314,166
Student services	39,161,202	—	—	39,161,202	37,276,054	—	—	37,276,054
Institutional support	37,882,685	—	—	37,882,685	39,731,723	—	—	39,731,723
Auxiliary enterprises	12,804,997	—	—	12,804,997	14,084,465	—	—	14,084,465
Total expenses	160,420,908	—	—	160,420,908	162,930,225	—	—	162,930,225
Change in net assets from operating activities	(3,137,513)	233,778	303,288	(2,600,447)	3,985,010	1,361,781	426,698	5,773,489
Unrealized gains (losses) on investments, net	(579,731)	(143,223)	—	(722,954)	3,023,310	662,573	—	3,685,883
Change in value of split interest agreements	—	718	73,345	74,063	—	459	185,361	185,820
Loss on disposal of plant assets	(575,061)	—	—	(575,061)	—	—	—	—
Change in net assets	(4,292,305)	91,273	376,633	(3,824,399)	7,008,320	2,024,813	612,059	9,645,192
Net assets at beginning of year	157,946,637	5,808,648	12,680,937	176,436,222	151,495,422	3,664,638	11,630,970	166,791,030
Change in donor intent and other transfers	(5,781)	(56,059)	61,840	—	(557,105)	119,197	437,908	—
Net assets at end of year	\$ 153,648,551	5,843,862	13,119,410	172,611,823	157,946,637	5,808,648	12,680,937	176,436,222

See accompanying notes to financial statements.

**SAINT LEO UNIVERSITY, INC.**  
**Statements of Cash Flows**  
**Years ended June 30, 2018 and 2017**

	<u><b>2018</b></u>	<u><b>2017</b></u>
Operating activities:		
Change in net assets	\$ (3,824,399)	9,645,192
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for doubtful accounts	(4,029,831)	(6,094,539)
Depreciation and amortization	8,949,682	10,775,641
Net realized and unrealized gains on investments	(2,503,874)	(5,562,358)
Loss on disposal of plant assets	575,061	—
Contributions restricted for long-term investments	(303,288)	(426,698)
Receipt of agency funds	147,215,463	161,317,479
Disbursement of agency funds	(147,215,463)	(161,317,479)
Change in value of beneficial interests in trusts	(74,063)	(185,820)
Change in operating assets and liabilities:		
Student accounts receivable	5,678,482	6,978,420
Grants receivable	(142)	39,476
Contributions receivable	662,407	(624)
Other assets, including other accounts receivable	(660,457)	1,153,665
Interest rate exchange agreements	(1,267,257)	(1,978,680)
Accounts payable	(2,666,542)	370,872
Accrued expenses and other liabilities	487,525	(445,874)
Accrued compensation	550,975	191,930
Deposits held in custody for others	7,231	(7,187)
Deferred revenue	(85,430)	230,351
Federal and state grants/loans refundable	13,996	20,982
Net cash provided by operating activities	<u>1,510,076</u>	<u>14,704,749</u>
Investing activities:		
Purchases of land, buildings and equipment	(4,970,661)	(4,846,571)
Purchases of investments	(99,521,833)	(39,323,551)
Proceeds from sales and maturities of investments	96,822,333	38,479,013
Net cash used in investing activities	<u>(7,670,161)</u>	<u>(5,691,109)</u>
Financing activities:		
Repayment of principal on long-term debt	(1,891,709)	(1,844,411)
Contributions restricted for long-term investments	303,288	426,698
Net cash used in financing activities	<u>(1,588,421)</u>	<u>(1,417,713)</u>
Change in cash and cash equivalents	(7,748,506)	7,595,927
Cash and cash equivalents at beginning of year	<u>11,502,758</u>	<u>3,906,831</u>
Cash and cash equivalents at end of year	<u>\$ 3,754,252</u>	<u>11,502,758</u>
Supplemental cash flow information:		
Cash paid for interest	\$ 1,187,951	1,337,604

See accompanying notes to financial statements.

## **SAINT LEO UNIVERSITY, INC.**

### **Notes to Financial Statements**

June 30, 2018 and 2017

#### **(1) Organization**

Saint Leo University, Inc. (the University) is a not-for-profit organization that provides higher education through its School of Business, School of Education and Social Services, School of Continuing Education, and School of Liberal Arts and Sciences. A conventional on-campus university education is provided to students, as well as certain customary auxiliary services such as housing and food. The School of Continuing Education is engaged in extension programs, including continuing education courses that are provided at numerous military bases and other locations. The University also provides educational opportunities through its studies abroad program and Internet courses.

#### **(2) Summary of Significant Accounting Policies and Practices**

##### ***(a) Basis of Presentation and Accounting***

The accompanying financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as either: unrestricted, temporarily restricted, or permanently restricted as follows:

- Unrestricted net assets consist of unrestricted amounts that are available for use in carrying out the operations of the University and include those expendable resources that have been designated for special use by the Board of Trustees.
- Temporarily restricted net assets represent donated amounts that are not available until future periods or are donor restricted for specific purposes. When a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.
- Permanently restricted net assets result from gifts from donors who place restrictions on the use of the funds which mandate that the original principal be invested in perpetuity and that the related investment income therefrom be used for restricted or unrestricted purposes, in accordance with the University's endowment spending policies. Perpetual trusts held by third parties for the benefit of the University are also included in permanently restricted net assets.

Contributions received are measured at their fair values on the date of receipt and are reported as increases in net assets. Expenses are reported as decreases in unrestricted net assets.

Income and net realized and unrealized gains (losses) on investments are reported as follows:

- As changes in permanently restricted net assets if the terms of the gift or the University Board of Trustees' interpretation of relevant state law require that they be added to the principal of a permanent gift
- As changes in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income
- As changes in unrestricted net assets in all other cases

**SAINT LEO UNIVERSITY, INC.**

Notes to Financial Statements

June 30, 2018 and 2017

**(b) Interest Rate Exchange Agreements**

The University uses interest rate exchange agreements as part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. The interest rate exchange agreements were not entered into for trading or speculative purposes. At June 30, 2018 and 2017, the interest rate exchange agreements are recognized on the statements of financial position and are measured at fair value. Interest rate exchange agreements are often held for the life of the strategy, but reflect significant interim unrealized gains or losses depending on the change in value since the inception of the contract. All unrealized and realized gains and losses from the interest rate exchange agreements are reflected in the accompanying statements of activities and changes in net assets.

**(c) Operating Measure**

The change in net assets from operating activities in the accompanying statements of activities and changes in net assets represents the revenue, gains, and other support designated to operate the University, less expenses and other costs associated with the University's operating activities. The University's unrealized gains (losses) related to its investment activities, fair value changes related to split interest agreements, and losses on disposal of plant assets are excluded from the change in net assets from operating activities.

**(d) Liquidity**

Assets are presented in the statements of financial position according to their nearness of conversion to cash. Liabilities are presented according to the nearness of their maturity and resulting use of cash.

**(e) Cash Equivalents**

The University considers all highly liquid financial instruments with original maturities of three months or less to be cash equivalents.

**(f) Short Term Investments and Investments**

Short term investments include cash, cash equivalents and investments that are liquid in nature and are used as part of managing the University's short term cash flow needs. Investments in equity securities that have readily determinable fair values and all investments in debt securities are stated at fair value. Investments in commingled funds are measured at net asset value (NAV) or its equivalent. All real property, with the exception of the residential real property noted below, is reported at cost at the date of acquisition. The University owns two parcels of residential real property, which are recorded at fair value, classified as an unrestricted investment, and held for sale. All other investments are recorded at estimated fair value at the date of receipt if acquired by gift. All gains and losses arising from the sale, collection, or other disposition of investments are recorded as operating revenue.

**(g) Beneficial Interest in Trusts**

The University has a beneficial interest in one perpetual trust. The trust is held by a third party who manages the assets and makes payments to the beneficiaries.

**SAINT LEO UNIVERSITY, INC.**

Notes to Financial Statements

June 30, 2018 and 2017

The perpetual trust is recorded at the fair value of the underlying assets of the perpetual trust as permanently restricted net assets. Annual distributions from the perpetual trust are reported as investment income that increases unrestricted net assets or temporarily restricted net assets if restricted by donors.

At June 30, 2018 and 2017, \$500,000 is recorded as contributions receivable relating to the University's beneficial interest in certain life insurance policies.

**(h) Other Assets**

Other assets primarily include the investments of the 457(b) Deferred Compensation Plan (note 13), prepaid expenses, and fine art.

**(i) Land, Buildings, and Equipment**

Land, buildings, improvements, furniture and equipment, and library books are stated at cost or, if contributed, at estimated fair value at the date of gift. Interest is capitalized in connection with the construction of major facilities. The capitalized interest is recorded as a component of the asset to which it relates and is depreciated over the asset's estimated useful life. There was no interest expense capitalized for the years ended June 30, 2018 and 2017.

Depreciation is provided over the estimated useful life, or in case of assets acquired under capital leases the shorter of the life of the lease or useful life, of each class of depreciable asset and is computed on a straight-line basis when the asset was placed in service. Furniture and equipment are depreciated over lives ranging from 4 to 20 years. Buildings and improvements are depreciated over lives ranging from 15 to 40 years, and library books are depreciated over 7 years.

**(j) Impairment of Long-Lived Assets**

The University evaluates the recoverability of its land, buildings, and equipment whenever adverse events or changes in the business climate indicate that the expected undiscounted future cash flows from the related asset may be less than previously anticipated. If the net book value of the related asset exceeds the undiscounted future cash flows of the asset, the carrying amount would be reduced to the present value of its expected future cash flows and an impairment loss would be recognized. No indicators of impairment existed at June 30, 2018 and 2017.

**(k) Federal and State Grants/Loans Refundable**

Federal and state grants/loans refundable include funds the University advances to students that will be reimbursed by the U.S. government, State of Florida, or other states. Student loans and grants are subject to restrictions.



**SAINT LEO UNIVERSITY, INC.**

Notes to Financial Statements

June 30, 2018 and 2017

**(l) Tuition and Fee Revenue Recognition**

Tuition and fees and related expenses for programs and academic terms that extend over more than one fiscal year are recognized using the proration method where revenues are allocated between terms based on the number of days in each term that relate to each fiscal year. The University has established an allowance for doubtful accounts based on historical collections and industry standards. Uncollectible accounts receivable are specifically identified and charged to the allowance account. Recovered bad debts are credited to the provision for bad debts when collected. The receivables are reflected at net realizable value.

**(m) Financial Aid**

Funding from federal and state governments is received for the benefit of certain eligible students attending the University. For most of these funds, the University acts in an agent capacity; accordingly, such amounts are not recorded as revenue and expenses in the accompanying statements of activities and changes in net assets. Only the financial aid revenue for which the University has the ability to determine individual awards to students is included in the accompanying statements of activities and changes in net assets.

**(n) Income Taxes**

The University is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) of the Internal Revenue Code, as amended. Management does not consider federal income taxes connected with the University's unrelated business income to be significant.

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 740-10, *Income Taxes – Overall*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, and disclosure. The University believes that it has appropriate support for its tax positions taken and as such, does not have any uncertain tax positions that could result in material impact to the accompanying financial statements.

**(o) Use of Estimates**

Management of the University has made several estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities at year-end, and the recognition of revenues and expenses during the reporting period to prepare the accompanying financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP). Actual results could differ from those estimates.

**SAINT LEO UNIVERSITY, INC.**

Notes to Financial Statements

June 30, 2018 and 2017

**(3) Contributions Receivable**

Contributions receivable at June 30 are summarized as follows:

	<b>2018</b>	<b>2017</b>
Due in one year or less	\$ 929,146	1,168,937
Due in one to five years	747,199	1,216,150
Due in greater than five years	<u>753,737</u>	<u>707,402</u>
Total contributions receivable	2,430,082	3,092,489
Less:		
Allowances for uncollectible contributions	(308,444)	(133,807)
Discount for present value (1.89% and 1.01% at June 30, 2018 and 2017, respectively)	<u>(16,622)</u>	<u>(41,636)</u>
	<u><u>\$ 2,105,016</u></u>	<u><u>2,917,046</u></u>

**(4) Investments**

Investments, including those considered short term, at June 30 consist of the following:

	<b>2018</b>		<b>2017</b>	
	<b>Fair value</b>	<b>Cost</b>	<b>Fair value</b>	<b>Cost</b>
Short-term cash fund	\$ 2,721,902	2,721,902	2,234,161	2,234,161
Common stocks	44,474,780	44,198,302	44,048,999	37,062,290
Government bonds	600,226	599,458	9,139,466	9,140,815
Fixed income securities	14,978,664	15,329,377	12,209,013	12,211,884
Alternative investments:				
Commingled funds:				
Hedge funds	2,025,014	2,020,341	—	—
Emerging markets funds	4,583,504	5,000,000	—	—
Fixed income funds	3,394,152	3,495,849	—	—
Real estate	<u>658,795</u>	<u>496,006</u>	<u>602,024</u>	<u>496,006</u>
Total investments	<u><u>\$ 73,437,037</u></u>	<u><u>73,861,235</u></u>	<u><u>68,233,663</u></u>	<u><u>61,145,156</u></u>

At June 30, 2018, the short-term cash fund included approximately \$1.1 million of receivables related to unsettled sales.

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The components of net investment return, including the interest earned on cash and cash equivalents, for the years ended June 30, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
Investment income	\$ 1,581,046	1,373,389
Realized gain, net	<u>3,226,828</u>	<u>1,876,475</u>
Investment return before unrealized gain (loss), net	4,807,874	3,249,864
Unrealized gain (loss), net	<u>(722,954)</u>	<u>3,685,883</u>
Investment return, net	\$ <u><u>4,084,920</u></u>	<u><u>6,935,747</u></u>

Investment fees incurred during the years ended June 30, 2018 and 2017 were \$277,981 and \$420,070, respectively. Net investment return is shown net of investment fees of \$49,567 and \$80,057, respectively, incurred during the years ended June 30, 2018 and 2017. These fees are related to temporarily restricted net assets and are netted against temporarily restricted investment earnings. The remaining fees are included in institutional support expenses in the accompanying statements of activities and changes in net assets.

**(5) Land, Buildings, and Equipment**

Land, buildings, and equipment are summarized as follows at June 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 5,631,483	5,631,483
Buildings	125,211,457	125,218,157
Improvements	46,252,881	47,106,293
Furniture and equipment	15,544,489	18,091,928
Computer equipment	14,972,470	23,684,257
Library books	6,204,517	6,038,562
Construction in progress	<u>3,157,677</u>	<u>815,823</u>
	216,974,974	226,586,503
Less accumulated depreciation	<u>(82,272,030)</u>	<u>(87,359,905)</u>
Total land, buildings and equipment	\$ <u><u>134,702,944</u></u>	<u><u>139,226,598</u></u>

Construction in progress at June 30, 2018 and June 30 2017 consisted of an ERP project and various building improvement projects. Depreciation expense on property and equipment for the years ended June 30, 2018 and 2017 was \$8,919,254 and \$10,745,213, respectively.

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## Notes to Financial Statements

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**(6) Bonds Payable and Line of Credit**

Bonds payable at June 30 consist of the following:

	<u>2018</u>	<u>2017</u>
HEFFA Series 2012A Revenue Refunding Bonds; Variable interest rate (2.91% and 1.78% at June 30, 2018 and 2017, respectively) bond payable; secured by buildings; required monthly principal repayments beginning November 2012; interest due in monthly installments through December 2030	\$ 21,950,891	23,486,683
HEFFA Series 2012B Revenue Refunding Bonds; Variable interest rate (2.94% and 1.72% at June 30, 2018 and 2017, respectively) bond payable; secured by buildings; required monthly principal repayments beginning November 2012; interest due in monthly installments through October 2037	<u>25,819,896</u>	<u>26,175,813</u>
Total principal outstanding	47,770,787	49,662,496
Less:		
Unamortized debt issuance costs	<u>(483,584)</u>	<u>(514,012)</u>
Bonds payable less unamortized debt issuance costs	<u>\$ 47,287,203</u>	<u>49,148,484</u>

On November 29, 2012, the Higher Educational Facilities Financing Authority (HEFFA) issued its Revenue Refunding Bonds, Series 2012A in the amount of \$30,000,000 on behalf of the University. The proceeds of the bonds were loaned to the University and were used to refund the HEFFA Revenue Bond Series 2010 and Series 2010A. The bond bears interest at a variable interest rate based on 68% of one month LIBOR less 2.75% plus 0.95% and is payable in monthly installments through December 2030. The bond has various restrictive financial covenants as defined in the loan agreement and the financing document with the purchaser of the bond.

On November 29, 2012, the HEFFA issued its Revenue Refunding Bonds, Series 2012B in the amount of \$27,685,000 on behalf of the University. The proceeds of the bonds were loaned to the University and were used to refund the HEFFA Revenue Bond Series 2006, and the Bond Series 2009. The bond bears interest at a variable interest rate based on 78% of one month LIBOR less 2.75% plus 1.29% and is payable in monthly installments through October 2037. The bond has various restrictive financial covenants as defined in the loan agreement and the financing document with the purchaser of the bond.

On April 25, 2013, the University entered into an interest rate exchange agreement (swap) with BB&T Bank, effectively converting the Series 2012A variable rate bond to a fixed rate. The swap, effective April 25, 2013, and terminating on December 1, 2022, was for the notional amount of \$29,481,283 at a

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Notes to Financial Statements

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fixed rate of 2.14%. As of June 30, 2018, the notional amount that decreases over time was \$21,950,891. At June 30, 2018 and 2017, the fair value of this swap was an asset of \$500,354 and \$44,670, respectively.

On February 20, 2014, the University entered into an interest rate exchange agreement (swap) with BB&T Bank, effectively converting a portion of the Series 2012B variable rate bond to a fixed rate. The swap, effective February 20, 2014 and terminating on December 1, 2022, was for the notional amount of \$13,700,000 at a fixed rate of 2.11%. As of June 30, 2018, the notional amount that decreases over time was \$12,956,940. At June 30, 2018 and 2017, the fair value of this swap was a liability of \$755 and \$435,257, respectively.

On May 19, 2015, the University entered into an interest rate exchange agreement (swap) with BB&T Bank effectively converting the remaining Series 2012B variable rate bond to a fixed rate. The swap, effective May 19, 2015 and terminating on December 1, 2022, was for the notional amount of \$13,394,110 at a fixed rate of 1.66%. As of June 30, 2018 the notional amount that decreases over time was \$12,862,956. At June 30, 2018 and 2017, the fair value of this swap was an asset of \$237,275 and a liability of \$139,796, respectively.

During the years ended June 30, 2017 and 2018, the University had an available line of credit up to \$10,000,000 with a financial institution. The line of credit provides borrowings at LIBOR rate plus 1.35% per annum (3.43% at June 30, 2018), and is unsecured. There were no borrowings or outstanding borrowings on the line of credit as of and for the years ended June 30, 2018 and 2017.

Management is not aware of any instances of noncompliance with any of the covenants contained in any of its financing documents at June 30, 2018 and 2017.

Maturities of bonds payable for years subsequent to June 30, 2018 are as follows:

Year ending June 30:	
2019	\$ 1,940,219
2020	1,986,862
2021	2,040,924
2022	2,093,261
2023	2,146,940
Thereafter	<u>37,562,581</u>
	<u>\$ 47,770,787</u>

Interest expense (including accruals), net of amounts capitalized (see note 2(i)), on bonds payable was \$1,305,735 and \$1,234,240, respectively, for the years ended June 30, 2018 and 2017.

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**(7) Unrestricted Net Assets**

	<b>June 30</b>	
	<b>2018</b>	<b>2017</b>
Unrestricted net assets	\$ 153,648,551	157,946,637
Less property, plant, and equipment	(134,702,944)	(139,226,598)
Add back plant-related debt	47,770,787	49,662,496
Unrestricted net assets excluding plant and related debt	<u>\$ 66,716,394</u>	<u>68,382,535</u>

**(8) Restricted Net Assets**

Temporarily restricted net assets consist of the following at June 30:

	<b>2018</b>	<b>2017</b>
Gifts and other unexpended revenue and gains available for:		
Comprehensive capital campaign	\$ 80,579	339,443
Donor-supported scholarship aid	4,445,928	4,109,650
Student athletics	458,364	497,399
Funds held in trusts by others	16,746	16,028
Other grants and programs	842,245	846,128
Total temporarily restricted net assets	<u>\$ 5,843,862</u>	<u>5,808,648</u>

Permanently restricted net assets consist of the following at June 30:

	<b>2018</b>	<b>2017</b>
Endowment funds	\$ 9,562,501	9,197,373
Beneficial interest in trusts	3,556,909	3,483,564
	<u>\$ 13,119,410</u>	<u>12,680,937</u>

Investment earnings on restricted contributions are expended per donor restrictions. When no donor restrictions exists the earnings are used to fund future scholarships.

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Notes to Financial Statements

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**(9) Net Assets Released from Restrictions**

Net assets were released from donor restrictions as follows, during the years ended June 30, 2018 and 2017, by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2018</u>	<u>2017</u>
Purpose restrictions accomplished:		
Donor-supported scholarship aid	\$ 757,741	646,910
Government grants and contracts	191,343	387,004
Student athletics	531,289	368,955
Other	<u>275,980</u>	<u>146,292</u>
	<u>\$ 1,756,353</u>	<u>1,549,161</u>

**(10) Fair Value of Financial Instruments**

The carrying amounts of cash and cash equivalents, accounts receivable, grants receivable, other receivables, accounts payable, and deposits held in custody for others approximate fair value because of the short-term maturity of these financial instruments.

Contributions receivable are initially measured at fair value in the year the receivable is recorded based on the present value of the estimated future cash flows discounted at a rate that reflects the risks inherent in those cash flows, which is an application of the income approach.

A reasonable estimate of the fair value of the receivables from students under government loan programs and grants refundable to the government for student loans could not be made because the notes receivable are not saleable and can only be assigned to the U.S. government or its designee.

The carrying amount of long-term debt approximates fair value because these financial instruments bear interest at rates that approximate current market rates for notes with similar maturities and credit quality.

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U.S. GAAP defines fair value as the exit price that would be received to sell an asset or transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. U.S. GAAP also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Based on the inputs used to determine fair value, a three-level fair value hierarchy is used as follows:

Level 1 – Inputs that are observable, such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 – Inputs that are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the factors that market participants would consider in pricing the asset or liability developed based on the best information available in the circumstances.

Investments in commingled funds represent investments measured at NAV or its equivalent and consist of a hedge fund, emerging market fund, and fixed income fund. Estimates of fair value for emerging market funds are made using NAV per share or its equivalent as a practical expedient. Such fair values are not required to be categorized in the fair value hierarchy due to FASB ASU 2015-07, Fair Value Measurement Disclosures for Investments in Certain Entities that Calculate NAV per Share (or its Equivalent) (ASU 2015-07). The fair value amount attributed to these investments continues to be presented in the table below to permit reconciliation of the fair value hierarchy to the amount presented in the accompanying statements of financial position.

The University's hedge and fixed income funds are not exchange traded but do have readily determinable fair values and are typically redeemable at net asset value (NAV) under the terms of the investment agreements. The University's emerging market fund is not exchange traded, does not have a readily determinable fair value, and is typically redeemable at NAV under the terms of the investment agreement.



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The following tables present financial instruments that are measured or disclosed at fair value in the accompanying financial statements as of June 30, 2018 and 2017:

		2018			
		Valued using			
		Level 1 inputs	Level 2 inputs	Level 3 inputs	Total
Assets:					
Recurring:					
Cash and cash equivalents	\$	3,754,252	—	—	3,754,252
Investments:					
Short term cash fund		2,721,902	—	—	2,721,902
Common stocks		44,474,780	—	—	44,474,780
Government bonds and fixed income securities		600,226	14,978,664	—	15,578,890
Commingled funds:					
Fixed income funds		—	3,394,152	—	3,394,152
Hedge funds		—	2,025,014	—	2,025,014
Real estate		—	658,795	—	658,795
Investment measured at NAV as a practical expedient:					
Emerging markets funds		—	—	—	—
		—	—	—	4,583,504
Total investments		47,796,908	21,056,625	—	73,437,037
Beneficial interest in trusts		—	—	3,556,909	3,556,909
Funds held in trust by others		—	—	16,746	16,746
Interest rate exchange agreements		—	737,629	—	737,629
Total recurring		51,551,160	21,794,254	3,573,655	81,502,573
Nonrecurring:					
Contributions receivable, net		—	—	2,105,016	2,105,016
	\$	51,551,160	21,794,254	5,678,671	83,607,589
Liabilities:					
Recurring:					
Interest rate exchange agreements	\$	—	755	—	755
Deposits held in custody for others		168,272	—	—	168,272
Total recurring		168,272	755	—	169,027
Disclosure:					
Bonds payable		—	47,770,787	—	47,770,787
	\$	168,272	47,771,542	—	47,939,814

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2017				
Valued using				
	Level 1 inputs	Level 2 inputs	Level 3 inputs	Total
<b>Assets:</b>				
Recurring:				
Cash and cash equivalents	\$ 11,502,758	—	—	11,502,758
Investments:				
Short term cash fund	2,234,161	—	—	2,234,161
Common stocks	44,048,999	—	—	44,048,999
Government bonds and fixed income securities	9,139,466	12,209,013	—	21,348,479
Real estate	—	602,024	—	602,024
Total investments	55,422,626	12,811,037	—	68,233,663
Beneficial interest in trusts	—	—	3,483,564	3,483,564
Funds held in trust by others	—	—	16,028	16,028
Interest rate exchange agreements	—	44,670	—	44,670
Total recurring	66,925,384	12,855,707	3,499,592	83,280,683
Nonrecurring:				
Contributions receivable, net	—	—	2,917,046	2,917,046
	<u>\$ 66,925,384</u>	<u>12,855,707</u>	<u>6,416,638</u>	<u>86,197,729</u>
<b>Liabilities:</b>				
Recurring:				
Interest rate exchange agreements	\$ —	575,053	—	575,053
Deposits held in custody for others	161,041	—	—	161,041
Total recurring	161,041	575,053	—	736,094
Disclosure:				
Bonds payable	—	49,662,496	—	49,662,496
	<u>\$ 161,041</u>	<u>50,237,549</u>	<u>—</u>	<u>50,398,590</u>

The University's accounting policy is to recognize transfers among levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers between the levels during the years ended June 30, 2018 or 2017.

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The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

**Short-term investments** – Short-term investments consisting of money market funds are measured at fair value using quoted market prices.

**Common stocks** – Investments in equity securities are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available.

**Government bonds and fixed income securities** – Investments in fixed income securities comprise U.S. Treasury notes, mortgage-backed securities, municipal bonds, and corporate bonds and notes. U.S. Treasury notes are classified as Level 1 if they trade with sufficient frequency and volume to enable the University to obtain pricing information on an ongoing basis. The remaining fixed income securities are classified as Level 2 based on multiple sources of information, which include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

**Alternative Investments** – The fair values of the following investments have been estimated using the net asset value per share of the investments as of June 30, 2018.

	<u>2018 Fair value</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Hedge fund:			
Wellington CTF Diversified Inflation Hedge Portfolio (a)	\$ 2,025,014	Monthly	22nd calendar day of month prior
Fixed Income fund:			
Global Opportunistic Fixed Income Fund (b)	3,394,152	Daily	10 days
Emerging market fund:			
Baron Emerging Markets Fund (c)	<u>4,583,504</u>	Monthly	30 days
Total	<u>\$ 10,002,670</u>		

The Baron Emerging Markets Fund has policies regarding frequent purchases and redemptions of shares.

- (a) The investment objective of the Wellington CTF Diversified Inflation Hedge Portfolio fund is to provide strong relative performance versus broad equity and fixed income markets during rising inflation environments. The fund invests in assets with linkages to general inflation and in sectors where supply and demand dynamics are expected to lead to localized inflation pressures. In pursuit of this objective, the fund seeks to outperform its primary benchmark, the Multi-Asset Inflation Index (the "Index"), which is comprised of the following: 50% MSCI ACW Commodity Producers Index, 25% Bloomberg Commodity Index Total Return, and 25% Bloomberg Barclays US 1-10 Year TIPS Index. As a long-term secondary objective, the fund seeks to provide returns in excess of the U.S. consumer inflation percentage plus 5%.

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- (b) The investment objective of the Brandywine Global Opportunistic Fixed Income Fund is to achieve interest income and long-term capital appreciation by investing in U.S. fixed income instruments and non-U.S. developed and emerging markets sovereign debt securities. The fund concentrates its investments in bonds of countries that have the best value in the form of high real interest rates.
- (c) The primary investment objective of the Baron Emerging Markets Fund is to maximize capital appreciation over the long term. The fund is a diversified fund that, under normal circumstances, invests 80% of its net assets in equity securities in the form of common stock of growth companies domiciled, headquartered or whose primary business activities or principal trading markets are in developing countries. The fund may invest up to 20% of its net assets in developed countries and in frontier countries as defined by the MSCI Frontier Markets (FM) Index. The fund seeks to invest in businesses it believes have significant opportunities for growth, sustainable competitive advantages and an attractive valuation

**Real estate** – Investments in real estate are classified as Level 1 when they are actively traded and a reliable quote is observable. If the investment classified as Level 1 subsequently ceases to be actively traded, it is reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

**Beneficial interest in trusts** – The University's beneficial interest in trusts administered by a third party are classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). Since the University has an irrevocable right to receive the income earned from the trusts' assets, the fair value of the University's beneficial interest is estimated to approximate the fair value of the trusts' assets.

**Funds held in trust by others** – The University's beneficial interest in irrevocable split-interest agreements held or controlled by a third party are classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). The fair values are measured at the present value of the future distributions the University expects to receive over the term of the agreements.

**Interest rate exchange agreements** – Interest rate exchange agreements are classified as Level 2 as the fair value is based on observable inputs to a valuation model (interest rates, credit spreads, etc.), which take into account the present value of the estimated future cash flows and credit valuation adjustments.

While the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

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The following tables present a reconciliation of the statements of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2018 and 2017.

<b>2018</b>			
	<b>Beneficial interest in perpetual trust</b>	<b>Funds held in trust by others</b>	<b>Total</b>
Balance, beginning of year	\$ 3,483,564	16,028	3,499,592
Realized and unrealized gains (losses), net	73,345	718	74,063
Purchases, issuances, sales, and settlements:			
Purchases	—	—	—
Issuance	—	—	—
Sales	—	—	—
Settlements	—	—	—
Balance, end of year	<u>\$ 3,556,909</u>	<u>16,746</u>	<u>3,573,655</u>

The amount of total net gains for the period included in change in net assets attributable to the change in unrealized gains or losses relating to financial instruments still held at June 30, 2018

\$ 74,063

<b>2017</b>			
	<b>Beneficial interest in perpetual trust</b>	<b>Funds held in trust by others</b>	<b>Total</b>
Balance, beginning of year	\$ 3,298,203	15,569	3,313,772
Realized and unrealized gains (losses), net	185,361	459	185,820
Purchases, issuances, sales, and settlements:			
Purchases	—	—	—
Issuance	—	—	—
Sales	—	—	—
Settlements	—	—	—
Balance, end of year	<u>\$ 3,483,564</u>	<u>16,028</u>	<u>3,499,592</u>

The amount of total net gains for the period included in change in net assets attributable to the change in unrealized gains or losses relating to financial instruments still held at June 30, 2017

\$ 185,820

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There have been no changes in the valuation techniques used in determining Level 1, Level 2 or Level 3 classifications.

**(11) Endowment**

On July 1, 2012, the State of Florida enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). As a result, the University implemented all requirements of UPMIFA, most notably the requirement that all donor-restricted endowment funds that are not classified as permanently restricted net assets be classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed in UPMIFA.

The University's endowment at June 30, 2018 and 2017 consists of 165 and 176 individual funds, respectively, established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowments classified as permanently restricted net assets include (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of the accumulation added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by the UPMIFA.

The University considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

1. The duration and preservation of the fund
2. The purposes of the University and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the University
7. The investment policies of the University

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment

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management costs, of at least 5% over the long term. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The University has a policy of appropriating for distribution each year 4%-5% of the average of its endowment funds of the three preceding fiscal years in which the distribution is planned. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average of the long-term rate of inflation. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term, as well as to provide additional real growth through new gifts and investment return.

At June 30, 2018, the endowment net asset composition by type of fund consisted of the following (in thousands):

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted funds	\$ —	2,947	13,120	16,067
Board-designated funds	56,194	—	—	56,194
Total funds	<u>\$ 56,194</u>	<u>2,947</u>	<u>13,120</u>	<u>72,261</u>

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Changes in endowment net assets for the fiscal year ended June 30, 2018 consisted of the following (in thousands):

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 53,239	2,700	12,681	68,620
Investment income:				
Investment return	3,695	948	—	4,643
Net appreciation (unrealized)	(662)	(142)	74	(730)
Total investment gain (loss)	3,033	806	74	3,913
Contributions	—	—	303	303
Appropriation of endowment assets for expenditures	(72)	(503)	—	(575)
Transfer between funds	(6)	(56)	62	—
Endowment net assets, end of year	\$ <u>56,194</u>	<u>2,947</u>	<u>13,120</u>	<u>72,261</u>

At June 30, 2017, the endowment net asset composition by type of fund consisted of the following (in thousands):

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted funds	\$ —	2,700	12,681	15,381
Board-designated funds	53,239	—	—	53,239
Total funds	\$ <u>53,239</u>	<u>2,700</u>	<u>12,681</u>	<u>68,620</u>



**SAINT LEO UNIVERSITY, INC.**

Notes to Financial Statements

June 30, 2018 and 2017

Changes in endowment net assets for the fiscal year ended June 30, 2017 consisted of the following (in thousands):

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 48,796	1,787	11,631	62,214
Investment income:				
Investment return	2,551	662	—	3,213
Net appreciation (unrealized)	<u>2,788</u>	<u>663</u>	<u>185</u>	<u>3,636</u>
Total investment gain (loss)	5,339	1,325	185	6,849
Contributions	—	—	427	427
Appropriation of endowment assets for expenditures	(339)	(531)	—	(870)
Transfer between funds	<u>(557)</u>	<u>119</u>	<u>438</u>	<u>—</u>
Endowment net assets, end of year	\$ <u>53,239</u>	<u>2,700</u>	<u>12,681</u>	<u>68,620</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the University to retain as a fund of perpetual duration. Deficiencies of this nature, which are reported in unrestricted net assets, did not exist at June 30, 2018 or 2017.

**(12) Leases**

The University is obligated under several noncancelable operating leases, primarily for office space, transportation, and office equipment, which expire through 2026. Lease expense during the years ended June 30, 2018 and 2017 totaled \$2,913,446 and \$2,751,929, respectively.

**SAINT LEO UNIVERSITY, INC.**

Notes to Financial Statements

June 30, 2018 and 2017

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) are as follows:

Year ending June 30:	
2019	\$ 2,775,834
2020	2,517,164
2021	1,778,163
2022	1,140,545
2023	677,140
Thereafter	<u>1,054,845</u>
	<u>\$ 9,943,691</u>

**(13) Retirement Plan**

The University offers an Internal Revenue Code Section 403(b) retirement plan (the Plan) covering most hourly and salaried employees. This plan is administered by the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company (VALIC). Employees of the University at the time the Plan was adopted were not required to contribute to participate; however, the Plan was subsequently amended to set minimum contributions from employees in order to participate. Currently, employees who meet eligibility requirements must contribute a minimum of 1% of their eligible compensation to participate. For employees making such contribution, the University will make a matching contribution at a percentage that is periodically adjusted. The University contributes up to 9% of the first 10% of compensation that a participant contributes to the Plan. Additional discretionary matching contributions may be contributed at the discretion of the University's Board of Trustees or through the collective bargaining agreement between the University and the faculty. No such additional discretionary amounts were contributed during the Plan year ended December 31, 2017. Employees become fully vested in both the employee and employer contributions to the Plan upon entering the Plan. For the years ended June 30, 2018 and 2017, the University's Plan contributions were \$3,940,416 and \$3,755,149, respectively. The University's policy is to fund retirement costs accrued.

The Plan is subject to routine audits by taxing jurisdictions and is currently undergoing a regulatory review, including a questionnaire compliance check and field audit by the IRS of the 2012 plan year. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2011.

The University has a 457(b) Deferred Compensation Plan, limited to specific management and faculty positions. The deferred compensation is invested with TIAA-CREF or VALIC and is considered University property until the employee withdraws the funds due to emergency, termination, or retirement. The participants' contributions are subject to the general creditors of the University. Accordingly, invested assets are recorded at fair value in other assets in the accompanying statements of financial position, with a corresponding liability in the amount of \$1,996,879 and \$1,757,898 recorded in accrued compensation at June 30, 2018 and 2017, respectively. The University does not record any related transaction activity as revenue or expense.

**SAINT LEO UNIVERSITY, INC.**

Notes to Financial Statements

June 30, 2018 and 2017

**(14) Expenses**

Expenses by natural classification were as follows for the years ended June 30:

		<b>2018</b>			
		<b>Salaries and benefits</b>	<b>Contractual services</b>	<b>Other expenses</b>	<b>Depreciation and amortization</b>
					<b>Total</b>
Instructional	\$	42,725,949	918,159	8,325,194	1,618,890
Academic support		13,814,334	295,089	2,064,603	809,806
Student services		18,301,574	11,188,061	8,466,592	1,204,975
Institutional support		23,449,641	2,616,373	11,059,113	757,558
Auxiliary enterprises		3,149,158	391,406	4,705,980	4,558,453
	\$	<u>101,440,656</u>	<u>15,409,088</u>	<u>34,621,482</u>	<u>8,949,682</u>
					<u>160,420,908</u>
		<b>2017</b>			
		<b>Salaries and benefits</b>	<b>Contractual services</b>	<b>Other expenses</b>	<b>Depreciation and amortization</b>
					<b>Total</b>
Instructional	\$	43,898,751	819,889	7,876,636	1,928,541
Academic support		14,036,276	332,514	1,943,115	1,002,261
Student services		17,327,630	6,626,762	11,919,257	1,402,405
Institutional support		20,945,499	2,811,078	15,154,893	820,253
Auxiliary enterprises		3,003,653	575,354	4,883,277	5,622,181
	\$	<u>99,211,809</u>	<u>11,165,597</u>	<u>41,777,178</u>	<u>10,775,641</u>
					<u>162,930,225</u>

Included in institutional support are fund raising expenses of \$2,351,998 and \$2,040,044 incurred by the University during the years ended June 30, 2018 and 2017, respectively.

The University operates a number of internal units that provide goods and services to other university departments. For financial statement presentation, the internal revenue and expense generated by such transactions are eliminated. For the year ended June 30, 2018, such expenses totaling \$60, \$10,402 and \$511,100 were deducted from student services, institutional support and auxiliary enterprises, respectively. For the year ended June 30, 2017, such expenses totaling \$9,388 and \$489,576 were deducted from institutional support and auxiliary enterprises, respectively.

**(15) Related Parties**

Contributions receivable include amounts pledged by various Board of Trustee members. At June 30, 2018 and 2017, gross pledges outstanding from such Trustees amounted to \$502,574 and \$599,600, respectively.

**SAINT LEO UNIVERSITY, INC.**

Notes to Financial Statements

June 30, 2018 and 2017

**(16) Contingencies**

The University receives significant financial assistance from federal and state agencies in the form of grants. Expenditures of funds under those programs require compliance with the grant agreements and are subject to audit. Any disallowed expenditures resulting from such audits become a liability of the University. In the opinion of management such adjustments, if any, are not expected to materially affect the financial condition or changes in net assets of the University.

The University is party to various claims and legal actions arising in the ordinary course of business. Management does not believe that the outcome of such claims and legal actions will have a material adverse effect on the financial position or changes in net assets of the University. When management becomes aware of potential or actual claims and determines probable amounts, management will accrue such amounts if necessary. Such matters would be recorded in accounts payable or accrued expenses and other liabilities in the accompanying statements of financial position. To the extent such amounts cannot be estimated, amounts are not accrued.

**(17) Subsequent Events**

The University reviewed and evaluated events from June 30, 2018 through August 31, 2018, the date that the financial statements were issued, and concluded that no subsequent events have occurred that require recognition in the financial statements or disclosure in the notes to the financial statements.

## ***Supplementary Schedules***

**SAINT LEO UNIVERSITY, INC.**  
Schedule of Financial Responsibility  
Composite Ratio Scores  
Year ended June 30, 2018

<u>Primary Reserve Ratio</u>				
Expendable Net Assets		\$	69,110,683	
Total Expense		\$	160,420,908	0.4308
<u>Equity Ratio</u>				
Modified Net Assets		\$	172,109,249	
Modified Assets		\$	233,395,931	0.7374
<u>Net Income Ratio</u>				
Change in Unrestricted Net Assets		\$	(4,292,305)	
Total Unrestricted Revenues		\$	157,283,395	(0.0273)
Primary Reserve:	0.4308	3.0000	40%	1.2000
Equity:	0.7374	3.0000	40%	1.2000
Net Income:	(0.0273)	0.3177	20%	0.0635
Composite Score				2.5

See accompanying independent auditors' report.

See notes to schedules of financial responsibility composite ratio scores.

**SAINT LEO UNIVERSITY, INC.**  
Schedule of Financial Responsibility  
Composite Ratio Scores  
Year ended June 30, 2017

<u>Primary Reserve Ratio</u>				
				\$ 70,377,571
Expendable Net Assets				\$ 162,930,225
Total Expense				0.4319
<u>Equity Ratio</u>				
				\$ 175,836,622
Modified Net Assets				\$ 241,251,128
Modified Assets				0.7289
<u>Net Income Ratio</u>				
				\$ 7,008,320
Change in Unrestricted Net Assets				\$ 166,915,235
Total Unrestricted Revenues				0.0420
Primary Reserve:	0.4319	3.0000	40%	1.2000
Equity:	0.7289	3.0000	40%	1.2000
Net Income:	0.0420	3.0000	20%	0.6000
Composite Score				3.0

See accompanying independent auditors' report.

See notes to schedules of financial responsibility composite ratio scores.

## SAINT LEO UNIVERSITY, INC.

### Notes to Schedules of Financial Responsibility Composite Ratio Scores

Years ended June 30, 2018 and 2017

#### (1) Reporting Entity

Saint Leo University, Inc. (the University) is a not-for-profit organization that provides higher education services through its School of Business, School of Education and Social Services, School of Continuing Education, and School of Liberal Arts and Sciences. A conventional on-campus university education is provided to students, as well as certain customary auxiliary services such as housing and food. The School of Continuing Education is engaged in extension programs, including continuing education courses that are provided at numerous military bases and other locations. The University also provides educational opportunities at numerous military bases and other locations. The University also provides educational opportunities through its studies abroad program and internet courses.

The Schedules of Financial Responsibility Composite Ratio Scores (the Schedules) are prepared and submitted to the State of Florida Department of Education and are prepared pursuant to Appendix B of 34 CFR Part 668 – Subpart L. *Ratio Methodology for Private Non-Profit Institutions* (U.S. Department of Education) (the Code). The Schedules contain only the financial responsibility composite ratio scores required by the Code and are not intended to present the financial position or the results of operations of the University for the years ended June 30, 2018 and 2017, in accordance with U.S. generally accepted accounting principles.

#### (2) Basis of Accounting

The Schedules are prepared using the accrual basis of accounting. The University prepares the Schedules based on the University's audited financial statements for the years ended June 30, 2018 and 2017.

#### (3) Financial Responsibility Composite Scores

The Schedules of Financial Responsibility Composite Ratio Scores are prepared pursuant to the Code. The composite score calculated reflects the overall relative financial health of institutions along a scale from negative 1.0 to positive 3.0.

The composite scores include the following required ratios, strength factors, and weight factors:

##### (a) Ratios

###### (i) Primary Reserve Ratio

Represents expendable net assets over total expenses.

Expendable net assets represent unrestricted net assets, plus temporary restricted net assets, less annuities, term endowments, and life income funds that are temporarily restricted, less intangible assets, less net property, plant, and equipment, plus post-employment and retirement liabilities, plus all debt obtained for long-term purposes, plus unsecured related party receivables.

Total expenses represents total unrestricted expenses taken directly from the audited financial statements.

###### (ii) Equity Ratio

Represents modified net assets over modified assets.



**SAINT LEO UNIVERSITY, INC.**

Notes to Schedules of Financial Responsibility Composite Ratio Scores

Years ended June 30, 2018 and 2017

Modified net assets represent total net assets less intangible assets and unsecured related party receivables.

Modified assets represent total assets less intangible assets and unsecured related party receivables.

(iii) Net Income Ratio

Represents change in unrestricted net assets over total unrestricted revenues.

Change in unrestricted net assets represents the change in unrestricted net assets taken directly from the audited financial statements.

Total unrestricted revenues is taken directly from the audited financial statements and includes net assets released from restriction during the fiscal year.

**(b) Strength factors**

The strength factor for each ratio is calculated as follows:

(i) Primary Reserve Ratio

10 x Primary Reserve Ratio result

(ii) Equity Ratio

6 x Equity Ratio Result

(iii) Net Income Ratio

1 + (50 x Net Income Ratio result) for positive Net Income Ratios

1 + (25 x Net Income Ratio result) for negative Net Income Ratios

If the strength factor score for any ratio is greater than or equal to 3, the strength factor score for that ratio is 3.

If the strength factor score for any ratio is less than or equal to -1, the strength factor score for that ratio is -1.

**(c) Weight factors**

The weight factor for each ratio is as follows:

(i) Primary Reserve Ratio

40%

(ii) Equity Ratio

40%

(iii) Net Income Ratio

20%

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**SAINT LEO UNIVERSITY, INC.**

Financial Statements

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

**SAINT LEO UNIVERSITY, INC.**

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KPMG LLP  
Suite 1700  
100 North Tampa Street  
Tampa, FL 33602-5145

## **Independent Auditors' Report**

The Board of Trustees  
Saint Leo University, Inc.:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Saint Leo University, Inc., which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saint Leo University, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2017 on our consideration of Saint Leo University, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Saint Leo University, Inc.'s internal control over financial reporting and compliance.

KPMG LLP

August 31, 2017  
Certified Public Accountants

**SAINT LEO UNIVERSITY, INC.**

Statements of Financial Position

June 30, 2017 and 2016

<b>Assets</b>	<b>2017</b>	<b>2016</b>
Cash and cash equivalents	\$ 11,502,758	3,906,831
Short term investments	3,112,797	2,926,158
Student accounts receivable, less allowance for doubtful accounts of \$5,401,699 in 2017 and \$11,449,383 in 2016	8,070,132	9,000,868
Grants receivable	148,057	187,533
Accounts receivable – other	392,049	201,462
Contributions receivable, net	2,917,046	2,869,567
Investments	65,120,866	58,900,609
Beneficial interest in trusts	3,499,592	3,313,772
Other assets	7,816,163	9,160,415
Interest rate exchange agreements	44,670	—
Land, buildings, and equipment, net of accumulated depreciation	139,226,598	145,125,240
Total assets	<u>\$ 241,850,728</u>	<u>235,592,455</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 2,765,287	2,394,415
Accrued expenses and other liabilities	5,342,255	5,788,129
Interest rate exchange agreements	575,053	2,509,063
Accrued compensation	6,814,930	6,623,000
Deposits held in custody for others	161,041	168,228
Deferred revenue	531,643	301,292
Federal and state grants/loans refundable	75,813	54,831
Bonds and notes payable, net	49,148,484	50,962,467
Total liabilities	<u>65,414,506</u>	<u>68,801,425</u>
Net assets:		
Unrestricted	157,946,637	151,495,422
Temporarily restricted	5,808,648	3,664,638
Permanently restricted	12,680,937	11,630,970
Total net assets	<u>176,436,222</u>	<u>166,791,030</u>
Total liabilities and net assets	<u>\$ 241,850,728</u>	<u>235,592,455</u>

See accompanying notes to financial statements.

**SAINT LEO UNIVERSITY, INC.**

Statements of Activities and Changes in Net Assets

Years ended June 30, 2017 and 2016

	June 30, 2017				June 30, 2016			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue, gains and other support:								
Tuition and fees	\$ 163,010,186	—	—	163,010,186	168,699,078	—	—	168,699,078
University funded scholarship allowances	(21,578,200)	—	—	(21,578,200)	(21,291,826)	—	—	(21,291,826)
Net tuition and fees	141,431,986	—	—	141,431,986	147,407,252	—	—	147,407,252
Sales of auxiliary enterprises	17,191,280	—	—	17,191,280	16,922,608	—	—	16,922,608
Contributions	253,935	1,385,357	426,698	2,065,990	376,347	551,697	801,814	1,729,858
Government grants	1,501,416	—	—	1,501,416	1,372,527	—	—	1,372,527
Investment earnings	2,588,253	661,611	—	3,249,864	1,336,380	345,779	—	1,682,159
Change in interest rate exchange agreements	1,978,680	—	—	1,978,680	(1,958,977)	—	—	(1,958,977)
Other revenues	420,524	863,974	—	1,284,498	1,421,236	976,397	—	2,397,633
Total other revenue and gains	23,934,088	2,910,942	426,698	27,271,728	19,470,121	1,873,873	801,814	22,145,808
Net assets released from restrictions	1,549,161	(1,549,161)	—	—	3,591,585	(3,591,585)	—	—
Total revenue, gains and other support	166,915,235	1,361,781	426,698	168,703,714	170,468,958	(1,717,712)	801,814	169,553,060
Expenses:								
Educational and general:								
Instructional	54,523,817	—	—	54,523,817	59,347,480	—	—	59,347,480
Academic support	17,314,166	—	—	17,314,166	18,009,520	—	—	18,009,520
Student services	37,276,054	—	—	37,276,054	41,234,678	—	—	41,234,678
Institutional support	39,731,723	—	—	39,731,723	39,031,484	—	—	39,031,484
Auxiliary enterprises	14,084,465	—	—	14,084,465	15,025,970	—	—	15,025,970
Total expenses	162,930,225	—	—	162,930,225	172,649,132	—	—	172,649,132
Change in net assets from operating activities	3,985,010	1,361,781	426,698	5,773,489	(2,180,174)	(1,717,712)	801,814	(3,096,072)
Unrealized gains (losses) on investments, net	3,023,310	662,573	—	3,685,883	(1,677,466)	(325,959)	—	(2,003,425)
Change in value of split interest agreements	—	459	185,361	185,820	—	410	(196,898)	(196,488)
Change in net assets	7,008,320	2,024,813	612,059	9,645,192	(3,857,640)	(2,043,261)	604,916	(5,295,985)
Net assets at beginning of year	151,495,422	3,664,638	11,630,970	166,791,030	155,353,062	6,057,079	10,676,874	172,087,015
Change in donor intent and other transfers	(557,105)	119,197	437,908	—	—	(349,180)	349,180	—
Net assets at end of year	\$ 157,946,637	5,808,648	12,680,937	176,436,222	151,495,422	3,664,638	11,630,970	166,791,030

See accompanying notes to financial statements.



**SAINT LEO UNIVERSITY, INC.**  
**Statements of Cash Flows**  
**Years ended June 30, 2017 and 2016**

	<u><b>2017</b></u>	<u><b>2016</b></u>
Operating activities:		
Change in net assets	\$ 9,645,192	(5,295,985)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for doubtful accounts	(6,094,539)	4,730,361
Depreciation and amortization	10,775,641	10,612,819
Net realized and unrealized losses/(gains) on investments	(5,562,358)	1,749,642
Contributions restricted for long-term investments	(426,698)	(801,814)
Receipt of agency funds	161,317,479	176,567,031
Disbursement of agency funds	(161,317,479)	(176,567,031)
Change in value of beneficial interests in trusts	(185,820)	196,488
Change in operating assets and liabilities:		
Student accounts receivable	6,978,420	(7,828,413)
Grants receivable	39,476	132,354
Contributions receivable	(624)	211,296
Other assets, including other accounts receivable	1,153,665	(576,493)
Interest rate exchange agreements	(1,978,680)	1,958,977
Accounts payable	370,872	(251,567)
Accrued expenses and other liabilities	(445,874)	3,163,227
Accrued compensation	191,930	(721,492)
Deposits held in custody for others	(7,187)	5,507
Deferred revenue	230,351	(127,323)
Federal and state grants/loans refundable	20,982	9,031
Net cash provided by operating activities	<u>14,704,749</u>	<u>7,166,615</u>
Investing activities:		
Purchases of land, buildings and equipment	(4,846,571)	(10,284,050)
Purchases of investments	(39,323,551)	(42,720,345)
Proceeds from sales and maturities of investments	<u>38,479,013</u>	<u>42,839,758</u>
Net cash used in investing activities	<u>(5,691,109)</u>	<u>(10,164,637)</u>
Financing activities:		
Repayment of principal on long-term debt	(1,844,411)	(1,794,744)
Contributions restricted for long-term investments	<u>426,698</u>	<u>801,814</u>
Net cash used in financing activities	<u>(1,417,713)</u>	<u>(992,930)</u>
Change in cash and cash equivalents	7,595,927	(3,990,952)
Cash and cash equivalents at beginning of year	<u>3,906,831</u>	<u>7,897,783</u>
Cash and cash equivalents at end of year	<u><u>\$ 11,502,758</u></u>	<u><u>3,906,831</u></u>
Supplemental cash flow information:		
Cash paid for interest	\$ 1,337,604	1,088,569

See accompanying notes to financial statements.

## **SAINT LEO UNIVERSITY, INC.**

### **Notes to Financial Statements**

June 30, 2017 and 2016

#### **(1) Organization**

Saint Leo University, Inc. (the University) is a not-for-profit organization that provides higher education through its School of Business, School of Education and Social Services, School of Continuing Education, and School of Liberal Arts and Sciences. A conventional on-campus university education is provided to students, as well as certain customary auxiliary services such as housing and food. The School of Continuing Education is engaged in extension programs, including continuing education courses that are provided at numerous military bases and other locations. The University also provides educational opportunities through its studies abroad program and Internet courses.

#### **(2) Summary of Significant Accounting Policies and Practices**

##### ***(a) Basis of Presentation and Accounting***

The accompanying financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as either: unrestricted, temporarily restricted, or permanently restricted net assets as follows:

- Unrestricted net assets consist of unrestricted amounts that are available for use in carrying out the operations of the University and include those expendable resources that have been designated for special use by the Board of Trustees.
- Temporarily restricted net assets represent donated amounts that are not available until future periods or are donor restricted for specific purposes. When a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.
- Permanently restricted net assets result from gifts from donors who place restrictions on the use of the funds which mandate that the original principal be invested in perpetuity and that the related investment income therefrom be used for restricted or unrestricted purposes, in accordance with the University's endowment spending policies. Perpetual trusts held by third parties for the benefit of the University are also included in permanently restricted net assets.

Contributions received are measured at their fair values on the date of receipt and are reported as increases in net assets. Expenses are reported as decreases in unrestricted net assets.

Income and net realized and unrealized gains (losses) on investments are reported as follows:

- As changes in permanently restricted net assets if the terms of the gift or the University Board of Trustees' interpretation of relevant state law require that they be added to the principal of a permanent gift
- As changes in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income
- As changes in unrestricted net assets in all other cases

**SAINT LEO UNIVERSITY, INC.**

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**(b) Interest Rate Exchange Agreements**

The University uses interest rate exchange agreements as part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. The interest rate exchange agreements were not entered into for trading or speculative purposes. At June 30, 2017 and 2016, the interest rate exchange agreements are recognized on the statements of financial position and are measured at fair value. Interest rate exchange agreements are often held for the life of the strategy, but reflect significant interim unrealized gains or losses depending on the change in value since the inception of the contract. All unrealized and realized gains and losses from the interest rate exchange agreements are reflected in the statements of activities and changes in net assets.

**(c) Operating Measure**

The change in net assets from operating activities in the accompanying statements of activities and changes in net assets represents the revenue, gains, and other support designated to operate the University, less expenses and other costs associated with the University's operating activities. The University's unrealized gains (losses) related to its investment activities and fair value changes related to split interest agreements are excluded from the change in net assets from operating activities.

**(d) Liquidity**

Assets are presented in the statements of financial position according to their nearness of conversion to cash. Liabilities are presented according to the nearness of their maturity and resulting use of cash.

**(e) Cash Equivalents**

The University considers all highly liquid financial instruments with original maturities of three months or less to be cash equivalents.

**(f) Short Term Investments and Investments**

Short term investments include cash, cash equivalents and investments that are liquid in nature and are used as part of managing the University's short term cash flow needs. Investments in equity securities that have readily determinable fair values and all investments in debt securities are stated at fair value. All real property, with the exception of the residential real property noted below, is reported at cost at the date of acquisition. The University owns two parcels of residential real property, which are recorded at fair value, classified as an unrestricted investment, and held for sale. All other investments are recorded at estimated fair value at the date of receipt if acquired by gift. All gains and losses arising from the sale, collection, or other disposition of investments are recorded as operating revenue.

**(g) Beneficial Interest in Trusts**

The University has a beneficial interest in one perpetual trust. The trust is held by a third party who manages the assets and makes payments to the beneficiaries.

The perpetual trust is recorded at the fair value of the underlying assets of the perpetual trust as permanently restricted net assets. Annual distributions from the perpetual trust are reported as investment income that increases unrestricted net assets or temporarily restricted net assets if restricted by donors.

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At June 30, 2017 and 2016, \$500,000 is recorded as contributions receivable relating to the University's beneficial interest in certain life insurance policies.

**(h) Other Assets**

Other assets primarily include the investments of the 457(b) Deferred Compensation Plan (note 13), prepaid expenses, and fine art.

**(i) Land, Buildings, and Equipment**

Land, buildings, improvements, furniture and equipment, and library books are stated at cost or, if contributed, at estimated fair value at the date of gift. Interest is capitalized in connection with the construction of major facilities. The capitalized interest is recorded as part of the asset to which it relates and is depreciated over the asset's estimated useful life. There was no interest expense capitalized for the years ended June 30, 2017 and 2016.

Depreciation is provided over the estimated useful life, or in case of assets acquired under capital leases the shorter of the life of the lease or useful life, of each class of depreciable asset and is computed on a straight-line basis when the asset was placed in service. Furniture and equipment are depreciated over lives ranging from 4 to 20 years. Buildings and improvements are depreciated over lives ranging from 15 to 40 years, and library books are depreciated over 7 years. Land is not depreciated.

**(j) Impairment of Long-Lived Assets**

The University evaluates the recoverability of its land, buildings, and equipment whenever adverse events or changes in the business climate indicate that the expected undiscounted future cash flows from the related asset may be less than previously anticipated. If the net book value of the related asset exceeds the undiscounted future cash flows of the asset, the carrying amount would be reduced to the present value of its expected future cash flows and an impairment loss would be recognized. No indicators of impairment existed at June 30, 2017 and 2016.

**(k) Federal and State Grants/Loans Refundable**

Federal and state grants/loans refundable include funds the University advances to students that will be reimbursed by the U.S. government, State of Florida, or other states. Student loans and grants are subject to restrictions.

**(l) Tuition and Fee Revenue Recognition**

Tuition and fees and related expenses for programs and academic terms that extend over more than one fiscal year are recognized using the proration method where revenues are allocated between terms based on the number of days in each term that relate to each fiscal year. The University has established an allowance for doubtful accounts based on historical collections and industry standards. Uncollectible accounts receivable are specifically identified and charged to the allowance account. Recovered bad debts are credited to the provision for bad debts when collected. The receivables are reflected at net realizable value.

**SAINT LEO UNIVERSITY, INC.**

Notes to Financial Statements

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**(m) Financial Aid**

Funding from federal and state governments is received for the benefit of certain eligible students attending the University. For most of these funds, the University acts in an agent capacity; accordingly, such amounts are not recorded as revenue and expenses in the accompanying statements of activities and changes in net assets. Only the financial aid revenue for which the University has the ability to determine individual awards to students is included in the accompanying statements of activities and changes in net assets.

**(n) Income Taxes**

The University is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) of the Internal Revenue Code, as amended. Management does not consider federal income taxes connected with the University's unrelated business income to be significant.

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 740-10, *Income Taxes – Overall*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, and disclosure. The University believes that it has appropriate support for its tax positions taken and as such, does not have any uncertain tax positions that could result in material impact to the accompanying financial statements.

**(o) Use of Estimates**

Management of the University has made several estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities at year-end, and the recognition of revenues and expenses during the reporting period to prepare the accompanying financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP). Actual results could differ from those estimates.

**(p) Reclassifications**

Certain amounts in the 2016 financial statements have been made to conform to the 2017 presentation.

**SAINT LEO UNIVERSITY, INC.**

Notes to Financial Statements

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**(3) Contributions Receivable**

Contributions receivable at June 30 are summarized as follows:

	<b>2017</b>	<b>2016</b>
Due in one year or less	\$ 1,168,937	1,041,506
Due in one to five years	1,216,150	1,189,358
Due in greater than five years	<u>707,402</u>	<u>861,000</u>
Total contributions receivable	3,092,489	3,091,864
Less:		
Allowances for uncollectible contributions	(133,807)	(172,791)
Discount for present value (0.01%-0.50% at June 30, 2017 and 2016)	<u>(41,636)</u>	<u>(49,506)</u>
	<u><u>\$ 2,917,046</u></u>	<u><u>2,869,567</u></u>

**(4) Investments**

Investments, including those considered short term, at June 30 consist of the following:

	<b>2017</b>		<b>2016</b>	
	<b>Fair value</b>	<b>Cost</b>	<b>Fair value</b>	<b>Cost</b>
Short-term cash fund	\$ 2,234,161	2,234,161	1,766,149	1,766,149
Common stocks	44,048,999	37,062,290	39,878,788	36,735,920
Government bonds	9,139,466	9,140,815	8,379,212	8,230,633
Fixed income securities	12,209,013	12,211,884	11,268,934	11,250,088
Real estate	<u>602,024</u>	<u>496,006</u>	<u>533,684</u>	<u>496,006</u>
Total investments	<u><u>\$ 68,233,663</u></u>	<u><u>61,145,156</u></u>	<u><u>61,826,767</u></u>	<u><u>58,478,796</u></u>

The components of net investment return, including the interest earned on cash and cash equivalents, for the years ended June 30, 2017 and 2016, are as follows:

	<b>2017</b>	<b>2016</b>
Investment income	\$ 1,373,389	1,425,332
Realized gain	<u>1,876,475</u>	<u>256,827</u>
Investment return before unrealized gain/(loss)	3,249,864	1,682,159
Unrealized gain/(loss)	<u>3,685,883</u>	<u>(2,003,425)</u>
Investment return, net	<u><u>\$ 6,935,747</u></u>	<u><u>(321,266)</u></u>

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Notes to Financial Statements

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Investment fees incurred during the years ended June 30, 2017 and 2016 were \$420,070 and \$408,900, respectively. Net investment return is shown net of investment fees of \$80,057 and \$68,470, respectively, incurred during the years ended June 30, 2017 and 2016. These fees are related to temporarily restricted net assets and are netted against temporarily restricted investment earnings. The remaining fees are included in institutional support expenses on the accompanying statements of activities and changes in net assets.

**(5) Land, Buildings, and Equipment**

Land, buildings, and equipment are summarized as follows at June 30:

	<u>2017</u>	<u>2016</u>
Land	\$ 5,631,483	5,631,483
Buildings	125,218,157	123,607,516
Improvements	47,106,293	45,764,285
Furniture and equipment	18,091,928	17,120,650
Computer equipment	23,684,257	22,015,919
Library books	6,038,562	5,867,153
Construction in progress	<u>815,823</u>	<u>1,742,335</u>
	226,586,503	221,749,341
Less accumulated depreciation	<u>(87,359,905)</u>	<u>(76,624,101)</u>
Total land, buildings and equipment	<u>\$ 139,226,598</u>	<u>145,125,240</u>

Construction in progress at June 30, 2017 and June 30 2016 consisted of various building improvement projects. Depreciation expense on property and equipment for the years ended June 30, 2017 and 2016 was \$10,745,213 and \$10,582,391, respectively.

**SAINT LEO UNIVERSITY, INC.**

Notes to Financial Statements

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**(6) Bonds Payable and Line of Credit**

Bonds payable at June 30 consist of the following:

	<u>2017</u>	<u>2016</u>
HEFFA Series 2012A Revenue Refunding Bonds; Variable interest rate (1.78% at June 30, 2017) bond payable; secured by buildings; required monthly principal repayments beginning November 2012; interest due in monthly installments through December 2030	\$ 23,486,683	24,984,075
HEFFA Series 2012B Revenue Refunding Bonds; Variable interest rate (1.72% at June 30, 2017) bond payable; secured by buildings; required monthly principal repayments beginning November 2012; interest due in monthly installments through October 2037	<u>26,175,813</u>	<u>26,522,832</u>
Total principal outstanding	49,662,496	51,506,907
Less:		
Unamortized debt issuance costs	<u>(514,012)</u>	<u>(544,440)</u>
Long term debt less unamortized debt issuance costs	<u>\$ 49,148,484</u>	<u>50,962,467</u>

In April 2015, FASB issued Accounting Standards Update (ASU) No. 2015-03, *Interest-Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*, which resulted in the reclassification of unamortized debt issuance costs from other assets to a reduction of notes payable in the accompanying statements of financial position. The University adopted this change effective July 1, 2016 and retrospectively applied the standard to the 2016 fiscal year statement of financial position by reclassifying \$544,440 of debt issuance costs net of related amortization from other assets to bonds and notes payable. This standard did not have a material impact on the statements of financial position and had no impact on the statements of activities and changes in net assets or cash flows for the periods presented.

On November 29, 2012, the Higher Educational Facilities Financing Authority (HEFFA) issued its Revenue Refunding Bonds, Series 2012A in the amount of \$30,000,000 on behalf of the University. The proceeds of the bonds were loaned to the University and were used to refund the HEFFA Revenue Bond Series 2010 and Series 2010A. The bond bears interest at a variable interest rate based on 68% of one month LIBOR less 2.75% plus 0.95% (1.78% at June 30, 2017) and is payable in monthly installments through December 2030. The bond has various restrictive financial covenants as defined in the loan agreement and the financing document with the purchaser of the bond.



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Notes to Financial Statements

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On November 29, 2012, the HEFFA issued its Revenue Refunding Bonds, Series 2012B in the amount of \$27,685,000 on behalf of the University. The proceeds of the bonds were loaned to the University and were used to refund the HEFFA Revenue Bond Series 2006, and the Bond Series 2009. The bond bears interest at a variable interest rate based on 78% of one month LIBOR less 2.75% plus 1.29% (1.72% at June 30, 2017) and is payable in monthly installments through October 2037. The bond has various restrictive financial covenants as defined in the loan agreement and the financing document with the purchaser of the bond.

On April 25, 2013, the University entered into an interest rate exchange agreement (swap) with BB&T Bank, effectively converting the Series 2012A variable rate bond to a fixed rate. The swap, effective April 25, 2013, and terminating on December 1, 2022, was for the notional amount of \$29,481,283 at a fixed rate of 2.14%. As of June 30, 2017, the notional amount that decreases over time was \$23,486,683. At June 30, 2017 and 2016, the fair value of this swap was an asset of \$44,670 and a liability of \$714,938, respectively.

On February 20, 2014, the University entered into an interest rate exchange agreement (swap) with BB&T Bank, effectively converting a portion of the Series 2012B variable rate bond to a fixed rate. The swap, effective February 20, 2014 and terminating on December 1, 2022, was for the notional amount of \$13,700,000 at a fixed rate of 2.11%. As of June 30, 2017, the notional amount that decreases over time was \$13,135,547. At June 30, 2017 and 2016, the fair value of this swap was a liability of \$435,257 and \$1,075,804, respectively.

On May 19, 2015, the University entered into an interest rate exchange agreement (swap) with BB&T Bank effectively converting the remaining Series 2012B variable rate bond to a fixed rate. The swap, effective May 19, 2015 and terminating on December 1, 2022, was for the notional amount of \$13,394,110 at a fixed rate of 1.66%. As of June 30, 2017 the notional amount that decreases over time was \$13,040,266. At June 30, 2017 and 2016, the fair value of this swap was a liability of \$139,796 and \$718,321, respectively.

During the years ended June 30, 2016 and 2017, the University has an available line of credit up to \$10,000,000 with a financial institution. The line of credit provides borrowings at LIBOR rate plus 1.35% per annum (2.52% at June 30, 2017), and is unsecured. There were no borrowings or outstanding borrowings on the line of credit as of and for the years ended June 30, 2017 and 2016.

Management is not aware of any instances of noncompliance with any of the covenants contained in any of its financing documents at June 30, 2017 and 2016.

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## Notes to Financial Statements

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Maturities of bonds payable for years subsequent to June 30, 2017 are as follows:

Year ending June 30:	
2018	\$ 1,891,708
2019	1,940,219
2020	1,986,862
2021	2,040,924
2022	2,093,261
Thereafter	<u>39,709,522</u>
	<u>\$ 49,662,496</u>

Interest expense (including accruals), net of amounts capitalized (see note 2(ii)), on bonds payable was \$1,234,240 and \$1,100,456, respectively, for the years ended June 30, 2017 and 2016.

**(7) Unrestricted Net Assets**

	June 30	
	2017	2016
Unrestricted net assets	\$ 157,946,637	151,495,422
Less property, plant, and equipment	(139,226,598)	(145,125,240)
Add back plant-related debt	<u>49,662,496</u>	<u>51,506,907</u>
Unrestricted net assets excluding plant and related debt	<u>\$ 68,382,535</u>	<u>57,877,089</u>

**(8) Restricted Net Assets**

Temporarily restricted net assets consist of the following at June 30:

	2017	2016
Gifts and other unexpended revenue and gains available for:		
Comprehensive capital campaign	\$ 339,443	193,897
Donor-supported scholarship aid	4,109,650	2,735,678
Student athletics	497,399	347,083
Funds held in trusts by others	16,028	15,569
Other grants and programs	<u>846,128</u>	<u>372,411</u>
Total temporarily restricted net assets	<u>\$ 5,808,648</u>	<u>3,664,638</u>

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Permanently restricted net assets consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Endowment funds	\$ 9,197,373	8,332,767
Beneficial interest in trusts	<u>3,483,564</u>	<u>3,298,203</u>
	<u>\$ 12,680,937</u>	<u>11,630,970</u>

Investment earnings on restricted contributions are expended per donor restrictions. When no donor restrictions exists the earnings are used to fund future scholarships.

**(9) Net Assets Released from Restrictions**

Net assets were released from donor restrictions as follows, during the years ended June 30, 2017 and 2016, by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2017</u>	<u>2016</u>
Purpose restrictions accomplished:		
Donor-supported scholarship aid	\$ 646,910	750,001
Government grants and contracts	387,004	421,662
Student athletics	368,955	520,257
Comprehensive capital campaign	—	1,753,436
Other	<u>146,292</u>	<u>146,229</u>
	<u>\$ 1,549,161</u>	<u>3,591,585</u>

**(10) Fair Value of Financial Instruments**

The carrying amounts of cash and cash equivalents, accounts receivable, grants receivable, other receivables, accounts payable, and deposits held in custody for others approximate fair value because of the short-term maturity of these financial instruments.

Contributions receivable are initially measured at fair value in the year the receivable is recorded based on the present value of the estimated future cash flows discounted at a rate that reflects the risks inherent in those cash flows, which is an application of the income approach.

A reasonable estimate of the fair value of the receivables from students under government loan programs and grants refundable to the government for student loans could not be made because the notes receivable are not saleable and can only be assigned to the U.S. government or its designee.

The carrying amount of long-term debt approximates fair value because these financial instruments bear interest at rates that approximate current market rates for notes with similar maturities and credit quality.

U.S. GAAP defines fair value as the exit price that would be received to sell an asset or transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the

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measurement date. U.S. GAAP also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Based on the inputs used to determine fair value, a three-level fair value hierarchy is used as follows:

Level 1 – Inputs are observable, such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the factors that market participants would consider in pricing the asset or liability developed based on the best information available in the circumstances.

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The following tables present financial instruments that are measured or disclosed at fair value in the financial statements as of June 30, 2017 and 2016:

		2017			
		Valued using			
		Level 1	Level 2	Level 3	
		inputs	inputs	inputs	Total
Assets:					
Recurring:					
Cash and cash equivalents	\$	11,502,758	—	—	11,502,758
Investments:					
Short term cash fund		2,234,161	—	—	2,234,161
Common stocks		44,048,999	—	—	44,048,999
Government bonds and fixed income securities		9,139,466	12,209,013	—	21,348,479
Real estate		—	602,024	—	602,024
Total investments		55,422,626	12,811,037	—	68,233,663
Beneficial interest in trusts		—	—	3,483,564	3,483,564
Funds held in trust by others		—	—	16,028	16,028
Interest rate swaps		—	44,670	—	44,670
Total recurring		66,925,384	12,855,707	3,499,592	83,280,683
Nonrecurring:					
Contributions receivable, net		—	—	2,917,046	2,917,046
Total assets	\$	66,925,384	12,855,707	6,416,638	86,197,729
Liabilities:					
Recurring:					
Interest rate exchange agreements	\$	—	575,053	—	575,053
Deposits held in custody for others		161,041	—	—	161,041
Total recurring		161,041	575,053	—	736,094
Disclosure:					
Bonds and notes payable		—	49,662,496	—	49,662,496
Total liabilities	\$	161,041	50,237,549	—	50,398,590

**SAINT LEO UNIVERSITY, INC.**

Notes to Financial Statements

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2016				
Valued using				
	Level 1 inputs	Level 2 inputs	Level 3 inputs	Total
<b>Assets:</b>				
Recurring:				
Cash and cash equivalents	\$ 3,906,831	—	—	3,906,831
Investments:				
Short term cash fund	1,766,149	—	—	1,766,149
Common stocks	39,878,788	—	—	39,878,788
Government bonds and fixed income securities	8,379,212	11,268,934	—	19,648,146
Real estate	—	533,684	—	533,684
Total investments	50,024,149	11,802,618	—	61,826,767
Beneficial interest in trusts	—	—	3,298,203	3,298,203
Funds held in trust by others	—	—	15,569	15,569
Total recurring	53,930,980	11,802,618	3,313,772	69,047,370
Nonrecurring:				
Contributions receivable, net	—	—	2,869,567	2,869,567
Total assets	\$ 53,930,980	11,802,618	6,183,339	71,916,937
<b>Liabilities:</b>				
Recurring:				
Interest rate exchange agreements	\$ —	2,509,063	—	2,509,063
Deposits held in custody for others	168,228	—	—	168,228
Total recurring	168,228	2,509,063	—	2,677,291
Disclosure:				
Bonds and notes payable	—	51,506,907	—	51,506,907
Total liabilities	\$ 168,228	54,015,970	—	54,184,198

The University's accounting policy is to recognize transfers among levels of fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers among Level 1, Level 2, or Level 3 during the years ended June 30, 2017 and 2016.

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

**Short-term investments** – Short-term investments consisting of money market funds are measured at fair value using quoted market prices.

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**Common stocks** – Investments in equity securities are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available.

**Government bonds and fixed income securities** – Investments in fixed income securities comprise U.S. Treasury notes, mortgage-backed securities, municipal bonds, and corporate bonds and notes. U.S. Treasury notes are classified as Level 1 if they trade with sufficient frequency and volume to enable the University to obtain pricing information on an ongoing basis. The remaining fixed income securities are classified as Level 2 based on multiple sources of information, which include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

**Real estate** – Investments in real estate are classified as Level 1 when they are actively traded and a reliable quote is observable. If the investment classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, investments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

**Beneficial interest in trusts** – The University's beneficial interest in trusts administered by a third party are classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). Since the University has an irrevocable right to receive the income earned from the trusts' assets, the fair value of the University's beneficial interest is estimated to approximate the fair value of the trusts' assets.

**Funds held in trust by others** – The University's beneficial interest in irrevocable split-interest agreements held or controlled by a third party are classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). The fair values are measured at the present value of the future distributions the University expects to receive over the term of the agreements.

**Interest rate exchange agreements** – Interest rate exchange agreements are classified as Level 2 as the fair value is based on observable inputs to a valuation model (interest rates, credit spreads, etc.), which take into account the present value of the estimated future cash flows and credit valuation adjustments.

While the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

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Notes to Financial Statements

June 30, 2017 and 2016

The following tables present a reconciliation of the statements of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30.

	<b>2017</b>		
	<b>Beneficial interest in perpetual trust</b>	<b>Funds held in trust by others</b>	<b>Total</b>
Balance, beginning of year	\$ 3,298,203	15,569	3,313,772
Realized and unrealized gains (losses), net	185,361	459	185,820
Purchases, issuances, sales, and settlements:			
Purchases	—	—	—
Issuance	—	—	—
Sales	—	—	—
Settlements	—	—	—
Balance, end of year	<u>\$ 3,483,564</u>	<u>16,028</u>	<u>3,499,592</u>

The amount of total net gains for the period included in change in net assets attributable to the change in unrealized gains or losses relating to financial instruments still held at June 30, 2017

\$ 185,820

	<b>2016</b>		
	<b>Beneficial interest in perpetual trust</b>	<b>Funds held in trust by others</b>	<b>Total</b>
Balance, beginning of year	\$ 3,495,101	15,159	3,510,260
Realized and unrealized gains (losses), net	(196,898)	410	(196,488)
Purchases, issuances, sales, and settlements:			
Purchases	—	—	—
Issuance	—	—	—
Sales	—	—	—
Settlements	—	—	—
Balance, end of year	<u>\$ 3,298,203</u>	<u>15,569</u>	<u>3,313,772</u>

The amount of total net losses for the period included in change in net assets attributable to the change in unrealized gains or losses relating to financial instruments still held at June 30, 2016

\$ (196,488)



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There have been no changes in the valuation techniques used in determining Level 1, Level 2 or Level 3 classifications.

**(11) Endowment**

On July 1, 2012, the State of Florida enacted UPMIFA. As a result, the University implemented all requirements of UPMIFA, most notably the requirement that all donor-restricted endowment funds that are not classified as permanently restricted net assets be classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed in UPMIFA.

The University's endowment at June 30, 2017 and 2016 consists of 176 and 149 individual funds respectively established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowments classified as permanently restricted net assets include (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of the accumulation added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA).

The University considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

1. The duration and preservation of the fund
2. The purposes of the University and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the University
7. The investment policies of the University

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment

**SAINT LEO UNIVERSITY, INC.**

Notes to Financial Statements

June 30, 2017 and 2016

management costs, of at least 5% over the long term. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The University has a policy of appropriating for distribution each year 5% of its endowment funds of the preceding fiscal year in which the distribution is planned. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average of the long-term rate of inflation. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term, as well as to provide additional real growth through new gifts and investment return.

At June 30, 2017, the endowment net asset composition by type of fund consisted of the following (in thousands):

	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted funds	\$ —	2,700	12,681	15,381
Board-designated funds	53,239	—	—	53,239
Total funds	<u>\$ 53,239</u>	<u>2,700</u>	<u>12,681</u>	<u>68,620</u>

Changes in endowment net assets for the fiscal year ended June 30, 2017 consisted of the following (in thousands):

	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 48,796	1,787	11,631	62,214
Investment income:				
Investment return	2,551	662	—	3,213
Net appreciation (unrealized)	<u>2,788</u>	<u>663</u>	<u>185</u>	<u>3,636</u>
Total investment gain (loss)	5,339	1,325	185	6,849

**SAINT LEO UNIVERSITY, INC.**

Notes to Financial Statements

June 30, 2017 and 2016

	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Contributions	—	—	427	427
Appropriation of endowment assets for expenditures	\$ (339)	(531)	—	(870)
Transfer between funds	(557)	119	438	—
Endowment net assets, end of year	\$ <u>53,239</u>	<u>2,700</u>	<u>12,681</u>	<u>68,620</u>

At June 30, 2016, the endowment net asset composition by type of fund consisted of the following (in thousands):

	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted funds	\$ —	1,787	11,631	13,418
Board-designated funds	48,796	—	—	48,796
Total funds	\$ <u>48,796</u>	<u>1,787</u>	<u>11,631</u>	<u>62,214</u>

Changes in endowment net assets for the fiscal year ended June 30, 2016 consisted of the following (in thousands):

	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 44,892	2,734	10,677	58,303
Investment income:				
Investment return	1,096	414	—	1,510
Net depreciation (unrealized)	(1,494)	(326)	(197)	(2,017)
Total investment gain (loss)	(398)	88	(197)	(507)

**SAINT LEO UNIVERSITY, INC.**

Notes to Financial Statements

June 30, 2017 and 2016

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Contributions	\$ —	—	802	802
Appropriation of endowment assets for expenditures	(698)	(686)	—	(1,384)
Net assets designated as quasi-endowment	5,000	—	—	5,000
Transfer between funds	—	(349)	349	—
Endowment net assets, end of year	\$ <u>48,796</u>	<u>1,787</u>	<u>11,631</u>	<u>62,214</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the University to retain as a fund of perpetual duration. Deficiencies of this nature, which are reported in unrestricted net assets, did not exist at June 30, 2017 or 2016.

**(12) Leases**

The University is obligated under several noncancelable operating leases, primarily for office space, transportation, and office equipment, which expire through 2022. Lease expense during the years ended June 30, 2017 and 2016 totaled \$2,751,929 and \$2,505,289, respectively.

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) are as follows:

Year ending June 30:	
2018	\$ 2,465,459
2019	1,885,213
2020	1,648,424
2021	1,039,302
2022	<u>463,402</u>
	\$ <u>7,501,800</u>

**(13) Retirement Plan**

The University offers an Internal Revenue Code Section 403(b) retirement plan (the Plan) covering most hourly and salaried employees. This plan is administered by the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company (VALIC). Employees of the University at the time the Plan was adopted were not required to contribute to participate; however, the Plan was subsequently amended to set minimum contributions from employees in order to participate. Currently, employees who meet eligibility requirements must contribute a minimum of 1% of their eligible compensation to participate. For employees making such contribution, the University will make a matching contribution at a percentage that is periodically adjusted. The University contributes up to 9% of the first 10% of compensation that a participant contributes to the Plan. Additional discretionary

**SAINT LEO UNIVERSITY, INC.**

## Notes to Financial Statements

June 30, 2017 and 2016

matching contributions may be contributed at the discretion of the University's Board of Trustees or through the collective bargaining agreement between the University and the faculty. No such additional discretionary amounts were contributed during the Plan year ended December 31, 2016. Employees become fully vested in both the employee and employer contributions to the Plan upon entering the Plan. For the years ended June 30, 2017 and 2016, the University's Plan contributions were \$3,755,149 and \$3,505,010, respectively. The University's policy is to fund retirement costs accrued.

The Plan is subject to routine audits by taxing jurisdictions and is currently going through a regulatory review, including a questionnaire compliance check and field audit by the IRS of the 2012 plan year. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2011.

The University has a 457(b) Deferred Compensation Plan, limited to specific management and faculty positions. The deferred compensation is invested with TIAA-CREF or VALIC and is considered University property until the employee withdraws the funds due to emergency, termination, or retirement. The participants' contributions are subject to the general creditors of the University. Accordingly, invested assets are recorded at fair value in other assets in the accompanying statements of financial position, with a corresponding liability in the amount of \$1,757,898 and \$1,511,790 recorded in accrued compensation at June 30, 2017 and 2016, respectively. The University does not record any related transaction activity as revenue or expense.

**(14) Expenses**

Expenses by natural classification were as follows for the years ended June 30:

	<b>2017</b>				
	<b>Salaries and benefits</b>	<b>Contractual services</b>	<b>Other expenses</b>	<b>Depreciation and amortization</b>	<b>Total</b>
Instructional	\$ 43,898,751	819,889	7,876,636	1,928,541	54,523,817
Academic support	14,036,276	332,514	1,943,115	1,002,261	17,314,166
Student services	17,327,630	6,626,762	11,919,257	1,402,405	37,276,054
Institutional support	20,945,499	2,811,078	15,154,893	820,253	39,731,723
Auxiliary enterprises	3,003,653	575,354	4,883,277	5,622,181	14,084,465
	<u>\$ 99,211,809</u>	<u>11,165,597</u>	<u>41,777,178</u>	<u>10,775,641</u>	<u>162,930,225</u>

**SAINT LEO UNIVERSITY, INC.**

## Notes to Financial Statements

June 30, 2017 and 2016

	2016				
	Salaries and benefits	Contractual services	Other expenses	Depreciation and amortization	Total
Instructional	\$ 46,831,148	1,832,127	8,784,888	1,899,317	59,347,480
Academic support	13,885,612	315,819	2,821,015	987,074	18,009,520
Student services	20,800,817	8,167,040	10,885,667	1,381,154	41,234,678
Institutional support	17,721,439	2,156,217	18,345,543	808,285	39,031,484
Auxiliary enterprises	2,702,854	695,072	6,091,055	5,536,989	15,025,970
	<u>\$ 101,941,870</u>	<u>13,166,275</u>	<u>46,928,168</u>	<u>10,612,819</u>	<u>172,649,132</u>

Included in institutional support are fund raising expenses of \$2,040,044 and \$1,883,272 incurred by the University during the years ended June 30, 2017 and 2016, respectively.

The University operates a number of internal units that provide goods and services to other university departments. For financial statement presentation, the internal revenue and expense generated by such transactions are eliminated. For the year ended June 30, 2017, these expenses totaling \$9,388 and \$489,576 were deducted from institutional support and auxiliary enterprises, respectively. For the year ended June 30, 2016, these expenses totaling \$7,589 and \$412,116 were deducted from institutional support and auxiliary enterprises, respectively.

**(15) Related Parties**

Contributions receivable include amounts pledged by various Board of Trustee members. At June 30, 2017 and 2016, gross pledges outstanding from such Trustees amounted to \$599,600 and \$1,153,958, respectively.

**(16) Contingencies**

The University receives significant financial assistance from federal and state agencies in the form of grants. Expenditures of funds under those programs require compliance with the grant agreements and are subject to audit. Any disallowed expenditures resulting from such audits become a liability of the University. In the opinion of management such adjustments, if any, are not expected to materially affect the financial condition or changes in net assets of the University.

The University is party to various claims and legal actions arising in the ordinary course of business. Management does not believe that the outcome of such claims and legal actions will have a material adverse effect on the financial position or changes in net assets of the University. When management becomes aware of potential or actual claims and determines probable amounts, management will accrue such amounts if necessary. Such matters would be recorded in accounts payable or accrued expenses and other liabilities in the accompanying statements of financial position. To the extent such amounts cannot be estimated, amounts are not accrued.

**SAINT LEO UNIVERSITY, INC.**

Notes to Financial Statements

June 30, 2017 and 2016

**(17) Subsequent Events**

The University reviewed and evaluated events from June 30, 2017 through August 31, 2017 the date that the financial statements were issued, and concluded that no subsequent events have occurred that require recognition in the financial statements or disclosure in the notes to the financial statements.

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## **APPENDIX C**

### **FORMS OF THE MASTER INDENTURE AND SUPPLEMENT NO. 1**

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**MASTER TRUST INDENTURE  
(Security Agreement)**

**by and among**

**SAINT LEO UNIVERSITY INCORPORATED**

**and**

**U.S. BANK NATIONAL ASSOCIATION  
as Master Trustee**

**Dated as of May 1, 2019**

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## MASTER TRUST INDENTURE

### (Security Agreement)

**THIS MASTER TRUST INDENTURE** (Security Agreement) (the "Master Indenture"), dated as of the 1<sup>st</sup> day of May, 2019, by and among **SAINT LEO UNIVERSITY INCORPORATED** ("Saint Leo University"), a Florida not-for-profit corporation and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association, as master trustee, and being duly qualified to accept and administer the trusts created hereby (the "Master Trustee"),

### RECITALS:

Saint Leo University (the "Initial Obligated Group" or may also be referred to herein as the "Initial Obligated Group Member") is authorized by law, and deems it necessary and desirable that the Initial Obligated Group and any other Members of the Obligated Group (hereinafter referred to) be able to issue promissory notes, guarantees and other evidences of indebtedness (collectively, the "Obligations") of various series in order to secure certain existing bond issues and the financing or refinancing of educational facilities and for other lawful and proper corporate purposes of the Initial Obligated Group Member and its affiliates.

The Initial Obligated Group Member, desires to provide in this Master Indenture for other entities in the future to become jointly and severally liable with the Initial Obligated Group Member for the payment of the Obligations and the performance of all covenants contained herein. The Initial Obligated Group Member and each entity incurring such joint and several liability in accordance with the terms hereof are herein referred to individually as a "Member" and collectively as the "Members" or the "Obligated Group."

On the date of the execution and delivery of this Master Indenture, (i) the Initial Obligated Group Member, Saint Leo University, will become the sole Member of the Obligated Group; and (ii) the Initial Obligated Group will issue an "Obligation" in the aggregate principal amounts of \$68,935,000 pursuant to the provisions hereof.

The Initial Obligated Group Member has previously caused bonds to be issued by the Higher Educational Facility Authority (the "Authority"). The Authority issued its Revenue Refunding Bonds (Saint Leo University Project), Series 2012A (the "Series 2012A Bonds") and its Revenue Refunding Bonds (Saint Leo University Project), Series 2012B (the "Series 2012B Bonds" and together with the Series 2012A Bonds, the "Refunded Bonds") on behalf of the Initial Obligated Group Member.

Simultaneously herewith the Authority and U.S. Bank National Association (the "Bond Trustee") have entered into a Bond Trust Indenture (the "Bond Indenture") for the purpose of issuing the Authority's Revenue Refunding Bonds (Saint Leo University Project), Series 2019 (the "Series 2019 Bonds") to refund the Refunded Bonds and to finance the costs of the 2019 Project.

Simultaneously herewith the Authority and the Initial Obligated Group Member have entered into a Loan Agreement between the Authority and Saint Leo University (the "Loan Agreement") pursuant to which the Initial Obligated Group Member has agreed to make loan payments in an amount equal to the principal and interest on the Series 2019 Bonds under the Bond Indenture and other amounts described therein.

In order to evidence its obligations under the Loan Agreement, the Initial Obligated Group Member will issue and deliver its Master Note No. 1 dated May 16, 2019 (the "Obligation No. 1") to secure its obligations related to the Series 2019 Bonds.

All acts, consents and things necessary to constitute these presents a valid indenture and agreement according to its terms, have been done and performed, and the execution of this Master Indenture has in all respects been duly authorized, and the Initial Obligated Group Member, in the exercise of the legal right and power vested in it, executes this Master Indenture and the Initial Obligated Group Member or any future Member may make, execute, issue and deliver one or more Obligations of various series.

In order to declare the terms and conditions upon which Obligations of each series are authenticated, issued and delivered, and in consideration of the premises, of the purchase and acceptance of Obligations of each series by the holders thereof and of the sum of One Dollar to it duly paid by the Master Trustee at the execution of these presents, the receipt whereof is hereby acknowledged, the Initial Obligated Group Member and each future Member covenant and agree with the Master Trustee, for the equal and proportionate benefit of the respective holders from time to time of Obligations of each series, as follows:

## ARTICLE I DEFINITIONS AND OTHER PROVISIONS CONCERNING INTERPRETATION

**Section 1.1 DEFINITIONS.** For the purposes hereof unless the context otherwise indicates, the following words and phrases shall have the following meanings:

**"Accelerable Obligation"** shall mean an Obligation described in Section 4.2 hereof.

**"Accounts"** means the respective accounts of the Members of the Obligated Group, as accounts are defined in Section 679.1021, Florida Statutes, as amended.

**"Additional Indebtedness"** means any indebtedness incurred by any Member of the Obligated Group subsequent to the issuance of the Initial Obligations under the Master Indenture or incurred by any other Member of the Obligated Group subsequent to or contemporaneously with its becoming a Member of the Obligated Group.

**"Adjusted Total Resources"** means Unrestricted Net Assets plus Temporarily Restricted Net Assets plus Permanently Restricted Net Assets.

**"Affiliate"** means a corporation, partnership, joint venture, association, business trust or similar entity organized under the laws of the United States of America or any state thereof

which is directly or indirectly controlled by a Person, by any other Affiliate or by any Person which directly or indirectly controls such Person or which directly or indirectly controls any other Affiliate. For purposes of this definition, control means the power to direct the management and policies of a Person through the ownership of not less than a majority of its voting securities or the right to designate or elect not less than a majority of the members of its board of directors or other governing board or body, by contract or otherwise.

**"Audited Financial Statements"** means, as to the Obligated Group or any Member of the Obligated Group or such other Person, financial statements for a twelve-month period, or for such other period for which an audit has been performed, prepared in accordance with generally accepted accounting principles, which have been audited and reported upon by independent certified public accountants.

**"Authorized Representative"** shall mean, with respect to any Member of the Obligated Group, the chairperson of its Governing Body or its chief executive officer, its chief operating officer or chief financial officer or any other person or persons designated an Authorized Representative of a Member of the Obligated Group by an Officer's Certificate of such Member of the Obligated Group, respectively, signed by the chairperson of its Governing Body or its chief executive officer or chief financial officer and filed with the Master Trustee.

**"Balloon Long-Term Indebtedness"** means Long-Term Indebtedness 20% or more of the principal payments of which are due in a single year, which portion of the principal is not required by the documents pursuant to which such indebtedness is issued to be amortized by redemption prior to such date.

**"Book Value"** when used in connection with Property, Plant and Equipment or other Property of any Person, means the value of such property, net of accumulated depreciation, as it is carried on the books of such Person in conformity with generally accepted accounting principles, and when used in connection with Property, Plant and Equipment or other Property of the Obligated Group, means the aggregate of the values so determined with respect to such Property, Plant and Equipment or other Property of the Obligated Group determined in such a manner that no portion of such value of Property, Plant and Equipment or other Property is included more than once.

**"Code"** means the Internal Revenue Code of 1986, as amended, and all rules and regulations promulgated thereunder.

**"Consultant"** means a firm or firms which is not, and no member, stockholder, director, officer, trustee or employee of which is, an officer, director, trustee or employee of any Member of the Obligated Group or any Affiliate, and which is a professional consultant of national repute for having the skill and experience necessary to render the particular report required by the provision hereof in which such requirement appears and which is not unacceptable to the Master Trustee.

**"Corporate Trust Office"** means the office of the Master Trustee or its agent designated by the Master Trustee from time to time, which, until designated otherwise, shall be at the address set forth in Section 9.8 hereof.

**"Credit Facility"** means a municipal bond insurance policy, line of credit, letter of credit, standby bond purchase agreement or similar credit enhancement or liquidity facility provided by an insurer, bank or other financial institution or by the Obligated Group and established in connection with the issuance of indebtedness secured by an Obligation issued hereunder to provide credit or liquidity support for such indebtedness, or to serve as a surety in lieu of a debt service reserve fund under any Related Agreement.

**"Credit Facility Provider"** means the provider of any Credit Facility.

**"Debt Service Reserve Fund"** means a Debt Service Reserve Fund established and maintained pursuant to Section 3.13 and a Supplement.

**"Debt Service Reserve Fund Requirement"** means, with respect to each Debt Service Reserve Fund, (i) if such Debt Service Reserve Fund secures more than one Obligation that secures Tax-Exempt Related Indebtedness, the least of (A) one hundred percent (100%) of Maximum Annual Debt Service on the Obligation or Obligations secured by such Debt Service Reserve Fund, (B) one hundred twenty-five percent (125%) of the average annual Long-Term Debt Service Requirement on the Obligation or Obligations secured by such Debt Service Reserve Fund and (C) ten percent (10%) of the stated original principal amount of the Related Indebtedness secured or Indebtedness evidenced by the Obligation or Obligations secured by such Debt Service Reserve Fund, or, if the Related Indebtedness have original issue discount or premium that exceeds two percent (2%) of the stated redemption price at maturity plus any original issue premium attributable exclusively to underwriters' compensation, ten percent (10%) of the initial offering prices to the public of the Related Indebtedness, or (ii) if such Debt Service Reserve Fund secures only one Obligation that secures Tax-Exempt Related Indebtedness or secures one or more Obligations that evidence and secure only taxable Indebtedness or Related Indebtedness, the amount specified in Section 3.13 or any Supplement directing that such Debt Service Reserve Fund be established or maintained.

**"Defeasance Obligations"** (a) U.S. Treasury obligations and obligations guaranteed by the U.S. Government, including but not limited to: Treasury bills, bonds, notes, and STRIPS; Resolution Funding Corporation ("REFCORP") Interest STRIPS; and United States Agency for International Development ("US AID") guaranteed notes (including stripped securities) provided that any US AID security shall mature at least 5 business days prior to any cash flow or escrow requirement, and (b) non-callable senior debt obligations, participations, or other instruments issued or fully guaranteed by any U.S. Federal agency, instrumentality, corporation, or government-sponsored enterprise (GSE), including but not limited to: Fannie Mae, Freddie Mac, the Federal Home Loan Banks, the Federal Farm Credit System, Tennessee Valley Authority, and Resolution Funding Corporation. Interest and principal strips are eligible investments provided that the securities are stripped from non-callable senior debt obligations, participations, or other instruments as described above in this clause (b).

**"Defeased Municipal Obligations"** means obligations of state or local government municipal bond issuers which are rated in the highest rating category by any two of the Rating Agencies, provision for the payment of the principal of and interest on which shall have been made by deposit with a trustee or escrow agent of (i) noncallable Government Obligations, (ii) evidences of ownership of a proportionate interest in specified noncallable Government Obligations, (iii) cash or (iv) any combination of such noncallable Government Obligations, evidences of ownership and cash, which Government Obligations or evidences of ownership, together with any cash, are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, the maturing principal of and interest on such Government Obligations or evidences of ownership, when due and payable, being sufficient, together with any cash, to provide money to pay the principal of, premium, if any, and interest on such obligations of such state or local government municipal bond issuers.

**"Defeased Obligations"** means Obligations issued under a Supplement that have been discharged in accordance with Article VII of this Master Indenture, or provision for the discharge of which has been so made, pursuant to the terms of such Supplement.

**"Derivative Agreement"** means, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap or exchange agreement, currency swap agreement, forward payment conversion agreement or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk; and (v) any other type of contract or arrangement that the Member of the Obligated Group entering into such contract or arrangement determines is to be used, or is intended to be used, to manage or reduce the cost of indebtedness, to convert any element of indebtedness from one form to another, to maximize or increase investment return, to minimize investment return risk or to protect against any type of financial risk or uncertainty.

**"Derivative Indebtedness"** means Indebtedness (or that portion of Indebtedness) for which a Member of the Obligated Group shall have entered into a Derivative Agreement.

**"Derivative Obligations"** means the payment obligations of a Member of the Obligated Group under a Derivative Agreement that hedges Indebtedness, including but not limited to regularly scheduled payments and termination payments.

**"Derivative Period"** means the period during which a Derivative Agreement is in effect.

**"Endowment Assets"** shall mean assets which the governing board of Saint Leo University or any donor has determined are to be retained and invested.

**"Escrowed Interest"** means amounts of interest on Long-Term Indebtedness for which moneys or Defeasance Obligations have been deposited in escrow, which deposit has been determined by a Consultant to be sufficient to pay such Escrowed Interest.

**"Escrowed Principal"** means amounts of principal on Long-Term Indebtedness for which moneys or Defeasance Obligations have been deposited in escrow, which deposit has been determined by a Consultant to be sufficient to pay such Escrowed Principal.

**"Event of Default"** means any one or more of those events set forth in Section 4.1 of this Master Indenture.

**"Excluded Real Property"** means the real property owned by any Member of the Obligated Group that is not subject to the negative pledge described in Section 3.4 hereof.

**"Fiscal Year"** means the fiscal year of each Member of the Obligated Group, which shall be the period commencing on July 1 of any year and ending on June 30 of such year unless the Master Trustee is notified in writing by the Obligated Group Representative of a change in such period, in which case the Fiscal Year shall be the period set forth in such notice and with respect to a Person other than a Member of the Obligated such 12-month fiscal year of such Person.

**"Fitch"** means Fitch Ratings, Inc., its successors and assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by notice to the Master Trustee.

**"Governing Body"** means, when used with respect to any Member of the Obligated Group, its board of directors, board of trustees, or other board or group of individuals by, or under the authority of which, corporate powers of such Member of the Obligated Group are exercised.

**"Government Obligations"** means direct obligations of, or obligations the payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America, including interest strips of obligations issued by the Resolution Funding Corporation, but excluding unit investment trusts and mutual funds.

**"Governmental Restrictions"** means federal, state or other applicable governmental laws or regulations affecting any Member of the Obligated Group and its educational facilities placing restrictions and limitations on the (i) fees and charges to be fixed, charged and collected by any Member of the Obligated Group or (ii) the amount or timing of the receipt of such revenues.

**"Guaranty"** shall have the meaning in the definition of Guaranty Debt.

**"Guaranty Debt"** means any obligation of a Member of the Obligated Group guaranteeing in any manner, directly or indirectly, any obligation of any other Person which

obligation of such other person would, if such obligation were the obligation of the Obligated Group, constitute indebtedness hereunder (a "Guaranty").

**"Holder"** means an owner of any Obligation issued in other than bearer form.

**"Income Available for Debt Service"** means, for the period being measured, the increase (decrease) in unrestricted net assets from operations, to which shall be added depreciation, amortization and interest expense and other non-cash expenses or extraordinary items deducted from total revenues as shown on the Audited Financial Statements, all as determined in accordance with generally accepted accounting principles in the United States of America consistently applied; provided, however, (a) no determination thereof shall take into account any unrealized gain or loss on investments or any gain or loss resulting from either the extinguishment of Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business and (b) revenues shall not include income from investments of funds held in an escrow which have been discharged or provision for the discharge of which has been so made, pursuant to its terms.

**"Indebtedness"** means (i) all indebtedness of Members of the Obligated Group for borrowed money, (ii) all installment sales, conditional sales and capital lease obligations, incurred or assumed by any Member of the Obligated Group, and (iii) all Guaranties, whether constituting Long-Term Indebtedness or Short-Term Indebtedness. Indebtedness shall not include obligations of any Member of the Obligated Group to another Member of the Obligated Group or any non-capitalized lease obligations regardless of its treatment for accounting purposes.

**"Initial Obligated Group Member"** means Saint Leo University.

**"Initial Obligation"** means Obligation No. 1.

**"Investment Obligations"** means, with respect to any Debt Service Reserve Fund, the investments specified in any Supplement directing that such Debt Service Reserve Fund be established or maintained, which may be specified by reference to investments of proceeds of Related Indebtedness permitted under the Related Agreement.

**"Lien"** means any pledge of, security interest in or encumbrance on any Property of any Member of the Obligated Group which secures any indebtedness or any other obligation of any Member of the Obligated Group or which secures any obligation of any Person, other than an obligation to any Member of the Obligated Group.

**"Long Term Debt Service Coverage Ratio"** means, for each Fiscal Year of such Person for which such calculation is made, the ratio determined by dividing the Income Available for Debt Service for such Fiscal Year by the Long-Term Debt Service Requirement of such Person, applying the concepts set forth under the definition therein as closely as practical with respect to such Person.

"Long-Term Debt Service Requirement" for any Fiscal Year, as applied to Long-Term Indebtedness, shall mean the sum of:

- (1) The amount required to pay the interest becoming due during such Fiscal Year, except to the extent that such interest shall have been provided by payments into an interest payment fund out of debt proceeds for a specified period of time;
- (2) The amount required to pay the principal of serial bonds or Long-Term Indebtedness of such series maturing in such Fiscal Year; and
- (3) The amortization installment for any term bonds of such series for such Fiscal Year. In computing the Long-Term Debt Service Requirement, the Master Trustee shall assume that an amount of the term bonds of such series equal to the amortization installment for the term bonds of such series for such Fiscal Year, will be retired by purchase or redemption in such Fiscal Year. When determining the amount of principal of and interest on the bonds or debt which mature in any year, the stated maturity date of term bonds shall be disregarded, and the amortization installment, if any, applicable to term bonds in such year shall be deemed to mature in such year.

For purposes of calculating the Long-Term Debt Service Requirement the following assumptions shall be used:

(i) with respect to Balloon Long-Term Indebtedness, the amount of principal which would be payable in such Fiscal Year if the principal of such Balloon Long-Term Indebtedness to be amortized in succeeding Fiscal Years were amortized from the date of incurrence of such Balloon Long-Term Indebtedness over a period of no more than fifteen (15) years (or, if the term thereof exceeds 15 years, over a period up to such term, but in no event for a period more than thirty (30) years from the date of calculation) on a level debt service basis at an interest rate reasonably estimated by the Obligated Group Representative; provided, however, that if the date of calculation is within ninety (90) days of the stated maturity of such Balloon Long-Term Indebtedness, the full amount of principal payable at maturity shall be included in such calculation unless a binding commitment to refinance such Balloon Long-Term Indebtedness shall be in effect, in which case the amortization schedule established by such commitment shall apply;

(ii) with respect to Variable Rate Indebtedness that is Long-Term Indebtedness and that is not Derivative Indebtedness, the interest on such Indebtedness shall be calculated at (A) in the case of Outstanding Variable Rate Indebtedness, the rate which is equal to the average of the actual interest rates which were in effect for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period) and (B) in the case of Variable Rate Indebtedness proposed to be incurred, the rate which is equal to the average of the SIFMA Municipal Swap Index (or any other specified index or reference rate for such Variable Rate Indebtedness) for the most recent 12-month period immediately preceding the date of calculation (or, if the

SIFMA Municipal Swap Index or such other index or reference rate is not available for such 12-month period, the Revenue Bond Index most recently published by The Bond Buyer), plus or minus any specified fixed spread;

(iii) (A) with respect to any Guaranty by any Member of the Obligated Group of any obligation of any Person (other than between Members), which obligation would, if it were a direct obligation of such Member of the Obligated Group, constitute Short-Term Indebtedness, such Guaranty shall be excluded and (B) with respect to any Guaranty by any Member of the Obligated Group of any obligation of any Person (other than between Members), which obligation would, if it were a direct obligation of such Member of the Obligated Group, constitute Long-Term Indebtedness, it shall be assumed that the indebtedness that is the subject of the Guaranty shall be repaid in accordance with its scheduled maturities (or, if the indebtedness that is the subject of the Guaranty would be Balloon Long-Term Indebtedness if incurred directly by a Member of the Obligated Group, in accordance with (i) above), that the Guaranty shall have identical repayment terms and that such Guaranty shall be deemed Long-Term Indebtedness of the Obligated Group in accordance with the following schedule:

Long Term Debt Service Coverage Ratio of the Person whose indebtedness is subject to a Guaranty (calculated as set forth herein for the most recent fiscal year of such Person for which audited financial statements are available)	Percentage of the principal amount of the guaranteed indebtedness deemed to be Long Term Indebtedness of the Obligated Group
Greater than 2.0	0 %
1.5 to and including 2.0	20
1.25 to and including 1.49	50
1.10 to and including 1.24	75
Less than 1.10 (or no available audited financial statements)	100

Notwithstanding the foregoing, if any Member of the Obligated Group is required to make a payment on such indebtedness pursuant to any Guaranty, 100% of the principal amount of the guaranteed indebtedness shall be deemed Long-Term Indebtedness of the Obligated Group for a period of two Fiscal Years following the Fiscal Year in which the most recent payment was made under such Guaranty;

(iv) and with respect to Derivative Indebtedness, for so long as the provider of the Derivative Agreement has a long-term credit rating of not less than "A" (without regard to any rating refinement or gradation by numerical modifier or otherwise) assigned to it by any of the Rating Agencies and has not defaulted on its payment obligations thereunder, the interest on such Derivative Indebtedness during any Derivative Period shall be calculated by adding (x) the amount payable by a Member of



the Obligated Group on such Derivative Indebtedness pursuant to its terms and (y) the amount payable by such Member of the Obligated Group under the Derivative Agreement and subtracting (z) the amount of interest payable by the provider of the Derivative Agreement at the rate specified in the Derivative Agreement; provided, however, in calculating the interest on such Indebtedness for any current or future period, (1) if such Member of the Obligated Group reasonably expects, at the time it enters into the Derivative Agreement, that a floating rate payable by the provider of the Derivative Agreement will be approximately equal to a variable rate of interest on such Derivative Indebtedness or a floating rate under a Derivative Agreement payable by such Member of the Obligated Group, then amounts payable at such approximately equivalent rates and principal and notional amounts shall be deemed to offset each other and shall not be included in computing interest of such Indebtedness, and (2) any amount payable under the Derivative Agreement at a floating rate that is included in computing interest on such Indebtedness shall be calculated based on the average of the specified index or reference rate for the most recent 12-month period immediately preceding the date of calculation; provided, further, that to the extent that the provider of any Derivative Agreement does not have a long-term rating of at least "A" (without regard to any rating refinement or gradation by numerical modifier or otherwise) assigned to it by any of the Rating Agencies or is in default thereunder, the amount of interest payable by the Member of the Obligated Group shall be the interest calculated as if such Derivative Agreement had not been executed;

provided further, however, that notwithstanding the foregoing (a) interest shall be excluded from the determination of Long-Term Debt Service Requirement to the extent the same is provided from the proceeds of the Long-Term Indebtedness; (b) the aggregate of payments to be made with respect to principal of and interest on Outstanding Long-Term Indebtedness shall not include Defeased Obligations; and (c) a Debt Service Reserve Fund (or portion thereof) may be anticipated to be used for the retirement at maturity of the Long-Term Indebtedness secured.

**"Long-Term Indebtedness"** means all obligations and indebtedness incurred or assumed by any Member of the Obligated Group including Guaranty Debt, for any of the following:

- (i) money borrowed for an original term, or renewal at the option of the borrower for a period from the date originally incurred, longer than one year;
- (ii) leases which are required to be capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one year; provided, however, that non-financing leases shall be excluded;
- (iii) installment sale or conditional sale contracts having an original term in excess of one year and which exceeds an amount of \$100,000; and

(iv) Short-Term Indebtedness if there exists a commitment by an institutional lender whose long-term, unsecured debt obligations are rated not less than "A" (without regard to any rating refinement or gradation by numerical modifier or otherwise) by any of the Rating Agencies to provide financing to retire such Short-Term Indebtedness and such commitment provides (i) terms and conditions that can be reasonably met by such Member of the Obligated Group to incur such Indebtedness, as certified in an Officer's Certificate filed with the Master Trustee and (ii) for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness;

provided, however, that any Guaranty by any Member of the Obligated Group of any obligation of any Person which obligation would, if it were a direct obligation of such Member of the Obligated Group, constitute Short Term Indebtedness or Non-Recourse Indebtedness shall be excluded; provided, further that Long-Term Indebtedness shall not include non-capitalized leases, regardless of their treatment for accounting purposes.

**"Master Indenture"** means this Master Trust Indenture, including any amendments or supplements hereto.

**"Master Trustee"** means U.S. Bank National Association, a national banking association duly organized, validly existing, and in good standing under the laws of the United States and is duly authorized to exercise trust powers in the State of Florida and authorized to accept and administer the trusts created hereby, and its successors in the trusts created under this Master Indenture.

**"Maximum Annual Debt Service"** means the highest Long-Term Debt Service Requirement for any succeeding Fiscal Year.

**"Member of the Obligated Group"** means the Initial Obligated Group Member and any other Person becoming a Member of the Obligated Group pursuant to Section 3.11 hereof, but excluding any Person that has withdrawn from the Obligated Group pursuant to Section 3.12 hereof.

**"Moody's"** means Moody's Investors Service, Inc., its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by notice to the Master Trustee.

**"Non-Recourse Indebtedness"** means any Indebtedness to finance the purchase, acquisition or construction of Property, Plant and Equipment, the payment of which is limited to and secured by a Lien on such Property, Plant and Equipment with no recourse, directly or indirectly, to any other Property of any Member of the Obligated Group, subject to Section 3.4 herein.

**"Obligated Group"** means, collectively, the Members of the Obligated Group.

**"Obligated Group Representative"** means, initially, Saint Leo University, and thereafter any Person as may be designated pursuant to written notice to the Master Trustee executed by all of the Members of the Obligated Group.

**"Obligation"** means the evidence of particular indebtedness issued under this Master Indenture as a joint and several obligation of each Member of the Obligated Group.

**"Officer's Certificate"** means a certificate signed by the Authorized Representative of such Member of the Obligated Group as the context requires.

Each Officer's Certificate presented pursuant to this Master Indenture shall state that it is being delivered pursuant to (and shall identify the section or subsection of), and shall incorporate by reference and use in all appropriate instances all terms defined in, this Master Indenture. Each Officer's Certificate shall state (i) that the terms thereof are in compliance with the requirements of the section or subsection pursuant to which such Officer's Certificate is delivered or shall state in reasonable detail the nature of any non-compliance and the steps being taken to remedy such non-compliance and (ii) that it is being delivered together with any opinions, schedules, statements or other documents required in connection therewith.

**"Opinion of Bond Counsel"** means an opinion in writing signed by an attorney or firm of attorneys acceptable to the Obligated Group Representative and experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds.

**"Opinion of Counsel"** means an opinion in writing signed by an attorney or firm of attorneys, acceptable to the Obligated Group Representative, who may be counsel for any Member of the Obligated Group.

**"Outstanding"** when used with reference to indebtedness or Obligations, means, as of any date of determination, all Long-Term Indebtedness theretofore issued or incurred and not paid and discharged other than (i) Obligations theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation, (ii) indebtedness deemed paid and no longer Outstanding under the documents pursuant to which such indebtedness was incurred, (iii) Defeased Obligations and (iv) Obligations in lieu of which other Obligations have been authenticated and delivered or have been paid pursuant to the provisions of the Supplement regarding mutilated, destroyed, lost or stolen Obligations unless proof satisfactory to the Master Trustee has been received that any such Obligation is held by a bona fide purchaser; provided, however, that for purposes of determining whether the Holders of the requisite principal amount of Obligations have concurred in any demands, direction, request, notice, consent, waiver or other action under this Master Indenture, Obligations or Related Indebtedness that are owned by any Member of the Obligated Group or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with such Member shall be deemed not to be Outstanding; provided further, however, that for the purposes of determining whether the Master Trustee shall be protected in relying on any such direction,

consent, or waiver, only such Obligations or Related Indebtedness which the Master Trustee has actual notice or knowledge are so owned shall be deemed to be not Outstanding. For purposes hereof, the principal amount of any Obligation that evidences and secures Derivative Obligation shall be deemed to be zero and such Obligation shall be disregarded for purposes of any request, direction or consent of the Holders requested or permitted hereunder unless the related Derivative Agreement has terminated, in which case the principal amount of such Obligation shall be deemed to be the amount of any termination payment owed to the Holder of such Obligation.

**"Permanently Restricted Net Assets"** means Permanent Restricted Net Assets of the Obligated Group as shown on the books of the Obligated Group which are used in the preparation of its Audited Financial Statements.

**"Permitted Liens"** shall have the meaning given in Section 3.5 hereof.

**"Person"** includes an individual, association, unincorporated organization, corporation, partnership, limited liability company, joint venture, business trust or a government or an agency or a political subdivision thereof, or any other entity.

**"2019 Project"** means an approximately 52,000 square feet wellness center, including, without limitation, a fitness center, basketball courts, multi-purpose rooms and a recreational pool, and other capital improvements to the educational facilities of the Borrower that are essential or convenient for the operations of the Borrower, all on the main campus of the Borrower located at 33791 State Road 52, Saint Leo, Florida.

**"Property"** means any and all rights, titles and interests in and to any and all property whether real or personal, tangible or intangible and wherever situated.

**"Property, Plant and Equipment"** means all Property of the Members of the Obligated Group which is property, plant and equipment – net (net of depreciation) under generally accepted accounting principles.

**"Rating Agency"** shall mean Moody's or S&P or Fitch or any other rating agency that has been requested by the Obligated Group Representative to assign a rating to any particular Related Indebtedness.

**"Related Agreement"** means any instrument or instruments between whereby a Member agrees to make payments on Related Indebtedness, including any loan agreements, capital lease agreements, guarantees, reimbursement agreements, or similar agreements, but excluding the Obligations.

**"Related Indebtedness"** means any revenue bonds or other obligations issued by any state, territory or possession of the United States or any municipal corporation or political subdivision formed under the laws thereof or any constituted authority or agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof ("governmental issuer"), pursuant to a Related Agreement, the proceeds of which are loaned or

otherwise made available to (i) a Member of the Obligated Group in consideration of the execution, authentication and delivery of an Obligation to or for the order of such governmental issuer, or (ii) any Person other than a Member of the Obligated Group in consideration of the issuance to such governmental issuer (A) by such Person of any indebtedness or other obligation of such Person, and (B) by a Member of the Obligated Group of a guaranty in respect of such indebtedness or other obligation, which guaranty is represented by an Obligation.

**"Reserve Fund Credit Facility"** shall mean a credit facility (including a reserve fund insurance policy) issued by any bank or national banking association, insurance company or other financial institution and then on deposit in the reserve fund for a Related Indebtedness in lieu of or in partial substitution for cash on deposit therein pursuant to the terms hereof which Reserve Fund Credit Facility which at the time of delivery thereof shall be rated at least "A" by S&P, Moody's or Fitch.

**"Revenues Account"** means the account established by the Master Trustee under Section 3.1(b) hereof upon the occurrence of any event of default under Section 4.1(a) hereof.

**"S&P"** or **"Standard & Poor's"** means S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, its successors and assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by notice to the Master Trustee.

**"Short-Term Indebtedness"** means all obligations incurred or assumed for any of the following:

- (i) payments of principal and interest with respect to money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one year or less;
- (ii) payments under leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one (1) year or less; and
- (iii) payments under installment purchase or conditional sale contracts having an original term of one year or less;

provided, however that Short-Term Indebtedness shall not include amounts borrowed for working capital which was needed due to delays in payment to be received from third-party payors or non-capitalized leases, regardless of their treatment for accounting purposes.

**"Saint Leo University"** means Saint Leo University, which shall include any organization which Saint Leo University is the sole member thereof.

**"Supplement"** means an indenture supplemental to, and authorized and executed pursuant to the terms of, this Master Indenture.

**"Tax-Exempt Organization"** means a Person organized under the laws of the United States of America or any state thereof which is a governmental unit or (i) an organization described in Section 501(c)(3) of the Code or is treated as an organization described in Section 501(c)(3) of the Code and (ii) exempt from federal income taxes under Section 501(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

**"Tax-Exempt Related Indebtedness"** means Related Indebtedness which the interest thereon is excludable from gross income for federal income tax purposes.

**"Temporarily Restricted Net Assets"** means Temporarily Restricted Net Assets of the Obligated Group as shown on the books of the Obligated Group which are used in the preparation of its Audited Financial Statements.

**"Transfer"** means any act or occurrence the result of which is to dispossess any Person of any asset or interest therein, including specifically, but without limitation, the forgiveness of any debt.

**"University Revenues"** or **"Revenues"** means, with respect to the Initial Obligated Group Member, all revenues, fees, rentals, charges and other income, rights to the payment of money, receivables, accounts, chattel paper and instruments and all proceeds from them (whether cash or non-cash) that are owned or received by the Initial Obligated Group Member in connection with or as a result of its ownership or operation of its facilities and businesses, all as calculated in accordance with generally accepted accounting principles, including, without limitation, revenue derived from operation of the Initial Obligated Group Member, tuition, bookstore sales and student fees, and gifts, donations, grants, pledges, legacies, bequests, devises and contributions (herein collectively, "Gifts") and interest earnings thereon which do not contain restrictions on their use for payment of principal and interest on indebtedness of the Initial Obligated Group Member. The term "University Revenues" or "Revenues," when used with respect to any other Member of the Obligated Group, shall be construed to have the same meaning but with reference to such Member rather than to the Initial Obligated Group Member.

**"Unrestricted Net Assets"** means the Obligated Group's aggregate "Unrestricted Net Assets" as such is set forth and is carried on the books of the Members of the Obligated Group which are used in the preparation of its Audited Financial Statements.

**"Variable Rate Indebtedness"** means any portion of indebtedness the interest rate on which has not been established at a fixed or constant rate to maturity.

## Section 1.2 INTERPRETATION.

(a) To the extent that this Master Indenture permits any Member of the Obligated Group to do any act or thing that is inconsistent with or prohibited by the Act or any successor provision of law, to the extent that the same applies to such Member,

the permission granted herein shall be inchoate and ineffective unless and until such time as the Act or any successor provision of law shall be amended to permit such act or thing; provided, however, that to the extent that any act or thing permitted by this Master Indenture shall be inconsistent with or prohibited by the Act or any successor provision of law shall not be interpreted as a repealer of the permission granted herein.

(b) Any reference herein to any officer or member of the Governing Body of a Member of the Obligated Group shall include those succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

(c) Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa, and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender.

(d) Where the character or amount of any asset, liability or item of income or expense is required to be determined or any consolidation, combination or other accounting computation is required to be made for the purposes hereof or of any agreement, document or certificate executed and delivered in connection with or pursuant to this Master Indenture, the same shall be done in accordance with generally accepted accounting principles.

(e) Headings of articles and sections herein and in the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(f) Provisions calling for the redemption of Obligations or the calling of Obligations for redemption do not mean or include the payment of Obligations at their stated maturity or maturities.

(g) Provisions calling for or referring to the delivery by each Member of the Obligated Group of financial statements for any given period shall be deemed satisfied if the combined, consolidating, or consolidated financial statements for such period, prepared in accordance with generally accepted accounting principles, of such entities are so delivered.

(h) Provisions calling for or referring to a calculation, with respect to the Obligated Group in accordance with generally accepted accounting principles shall be deemed not to require the consolidation of accounts of entities that are not Members of the Obligated Group, as the case may be, even if generally accepted accounting principles would require such consolidation.

(i) Provisions calling for a forecast shall be deemed satisfied by a forecast which shall be compiled or examined based upon the most likely outcome of a stated set

of assumptions that, in the opinion of the Obligated Group Representative, are reasonable.

(j) Notwithstanding anything to the contrary herein, where the character or amount of any asset or liability or item of income or expense is required to be determined, or any accounting computation is required to be made, such determination or calculation shall, to the extent applicable, be made in accordance with generally accepted accounting principles ("GAAP") in existence as of the date hereof, consistently applied, unless the Obligated Group Representative shall have elected (with the concurrence of its independent public accountant and upon prior written notification to the Credit Facility Providers and the Master Trustee) to adopt a subsequently promulgated GAAP with respect to such determination or computation. In connection with any calculations using GAAP existing on the date of this Master Indenture which differs from GAAP as subsequently promulgated, the Obligated Group Representative shall provide a reconciliation, certified by an Authorized Officer, evidencing to the Master Trustee and any recipient of such calculations any differences between such calculations and the information contained in the Audited Financial Statements based upon the differences in the GAAP being applied from the GAAP in effect on the date of such calculation.

## ARTICLE II INDEBTEDNESS, AUTHORIZATION, ISSUANCE AND TERMS OF OBLIGATIONS

**Section 2.1 AMOUNT OF INDEBTEDNESS.** Subject to the terms, limitations and conditions established in this Master Indenture, each Member of the Obligated Group may incur indebtedness by issuing Obligations hereunder or by creating indebtedness under any other document. The principal amount of indebtedness created under other documents and the number and principal amount of Obligations evidencing indebtedness that may be created hereunder may be limited by the provisions hereof or of any applicable Supplement.

**Section 2.2 DESIGNATION OF OBLIGATIONS.** Obligations shall be issued in such forms, tenor and contain such terms as may from time to time be created by Supplements permitted hereunder. Each Obligation or Series of Obligations shall be created by a Supplement and shall be designated in such a manner as will differentiate such Obligation from any other Obligation. Guaranty Debt issued, incurred or executed by any Member of the Obligated Group may be represented by Obligations issued under this Master Indenture.

**Section 2.3 APPOINTMENT OF OBLIGATED GROUP REPRESENTATIVE.** Each Member of the Obligated Group, by becoming a Member of the Obligated Group, irrevocably appoints the Obligated Group Representative as its agent and true and lawful attorney in fact and grants to the Obligated Group Representative (a) full and exclusive power to execute Supplements authorizing the issuance of Obligations or Series of Obligations, (b) full power to execute Obligations for and on behalf of the Obligated Group and

each Member of the Obligated Group, (c) full power to execute Supplements on behalf of the Obligated Group pursuant to Sections 6.1 and 6.2 hereof and (d) full power to prepare, or authorize the preparation of, any and all documents, certificates or disclosure materials reasonably and ordinarily prepared in connection with the issuance of Obligations hereunder, or Related Indebtedness associated therewith, and to execute and deliver such items to the appropriate parties in connection therewith.

#### **Section 2.4 EXECUTION AND AUTHENTICATION OF OBLIGATIONS.**

All Obligations shall be executed for and on behalf of the Obligated Group by an Authorized Representative of the Obligated Group Representative, by an Authorized Representative of the Initial Obligated Group Member, if acting in its individual capacity, by an Authorized Representative of any other Member of the Obligated Group or by any combination thereof. It shall not be required that an Authorized Representative of each Member of the Obligated Group execute each Obligation. The signatures of any such Authorized Representative may be mechanically or photographically reproduced on the Obligation. If any Authorized Representative whose signature appears on any Obligation ceases to be such Authorized Representative before delivery thereof, such signature shall remain valid and sufficient for all purposes as if such Authorized Representative had remained in office until such delivery.

Each Obligation shall be manually authenticated by an authorized officer of the Master Trustee or its agent, without which authentication no Obligation shall be entitled to the benefits hereof. The Master Trustee's authentication certificate shall be substantially in the following form:

#### **MASTER TRUSTEE'S AUTHENTICATION CERTIFICATE**

The undersigned Master Trustee hereby certifies that this Obligation No. \_\_ is one of the Obligations described in the within-mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION,  
as Master Trustee

By: \_\_\_\_\_  
Authorized Signatory

**Section 2.5 SUPPLEMENT CREATING INDEBTEDNESS.** The Obligated Group Representative and the Master Trustee may from time to time enter into a Supplement in order to create indebtedness hereunder. Such Supplement shall, with respect to an Obligation evidencing indebtedness created thereby, set forth the date thereof, and the date or dates on which the principal of and premium, if any, and interest on such Obligation shall be payable, the provisions regarding discharge thereof, and the form of such Obligation and such other terms and provisions as shall conform with the provisions hereof.

**Section 2.6 CONDITIONS TO ISSUANCE OF OBLIGATIONS HEREUNDER.** With respect to indebtedness created hereunder, simultaneously with or prior

to the execution, authentication and delivery of Obligations evidencing such indebtedness pursuant to this Master Indenture:

(a) All requirements and conditions to the issuance of such Obligations, if any, set forth in the Supplement or in this Master Indenture shall have been complied with and satisfied, as provided in an Officer's Certificate of the Obligated Group Representative, a certified copy of which shall be delivered to the Master Trustee; and

(b) The issuer of such Obligations shall have delivered to the Master Trustee an Opinion of Counsel to the effect that the Master Indenture and the Obligations are valid, binding and enforceable obligations of the Members of the Obligated Group in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance and other laws affecting creditors' rights generally and usual equity principles.

### **ARTICLE III**

#### **PARTICULAR COVENANTS OF THE OBLIGATED GROUP**

##### **Section 3.1 SECURITY; PAYMENT OF PRINCIPAL AND INTEREST.**

(a) All Obligations issued pursuant to this Master Indenture shall be a general, joint and several obligation of the Obligated Group.

To secure the prompt payment of the principal of, redemption premium, if any, and the interest on the Obligations and the performance by each Member of the Obligated Group of its other obligations hereunder, each Member of the Obligated Group hereby pledges, assigns and grants to the Master Trustee a security interest in its Revenues, and specifically the Initial Obligated Group Member pledges, assigns and grants to the Master Trustee a security interest in its University Revenues. Each Member of the Obligated Group shall also execute and deliver to the Master Trustee from time to time such amendments or supplements to this Master Indenture as may be necessary or appropriate to include as security hereunder the Revenues, or with respect to the Initial Obligated Group Member, its University Revenues in addition to the requirements of Section 3.11 of this Master Indenture. In addition, each Member of the Obligated Group covenants that it will prepare and file such financing statements or amendments to or terminations of existing financing statements which shall, in the Opinion of Counsel, be necessary to comply with applicable law or as required due to changes in the Obligated Group, including, without limitation, (i) any Person becoming a Member of the Obligated Group pursuant to Section 3.11 of this Master Indenture, or (ii) any Member of the Obligated Group ceasing to be a Member of the Obligated Group pursuant to Section 3.12 of this Master Indenture. In particular, each Member of the Obligated Group covenants that it will, at least thirty (30) days prior to the expiration of any financing statement, prepare and file such continuation statements of existing financing statement as shall, in the Opinion of Counsel or otherwise, be necessary to comply with applicable law and shall provide to the Master Trustee written notice of such filing. If the Master Trustee shall not have received such notice at least thirty (30) days prior to the expiration date of any such financing statement, the Master

Trustee shall send written notice to the Obligated Group Representative requesting that if such continuation statements are not received then the Master Trustee shall, with the cost borne by the Obligated Group, prepare and file or cause each Member of the Obligated Group to prepare and file such continuation statements in a timely manner to assure that the security interest in Revenues or with respect to the Initial Obligated Group Member, its University Revenues shall remain perfected (to the extent perfection is effected by filing).

(b) The Members of the Obligated Group hereby further covenant that if an Event of Default of the type described in Section 4.1(a) hereof shall occur and be continuing, and any grace period applicable thereto shall have expired, any Revenues of the Obligated Group, or with respect to the Initial Obligated Group Member, its University Revenues, then received and any such Revenues thereafter received, shall not be commingled or deposited but shall immediately, or upon receipt, be transferred by the Members of the Obligated Group on a daily basis to the Master Trustee and deposited into the Revenues Account as provided below. Such daily deposits shall continue until such event of default described in the preceding sentence has been cured. Any such proceeds on deposit with the Master Trustee shall be disbursed by the Master Trustee pursuant to the provisions of Section 4.4 hereof and as provided below.

The Master Trustee is hereby authorized and directed to establish a Revenues Account, or Revenues Accounts, into which there shall be deposited upon the occurrence of any Event of Default under Section 4.1(a) of this Master Indenture, upon receipt by the Master Trustee, any and all Revenues of the Obligated Group, or with respect to Saint Leo University, its University Revenues. Upon the occurrence of an event that requires the funding of the Revenues Account, the Obligated Group and the Master Trustee hereby covenant to take all action necessary to insure that all such revenues are deposited into the Revenues Account including, but not limited to, depositing directly all payments received and directing all debtors of the Obligated Group to make all payments due to the Obligated Group Member into the Revenues Account, including depositing all University Revenues which are in the Revenue Fund described in Section 3.7(b) hereof. Upon such deposit, the Revenues Account shall become subject to the lien of this Master Indenture in favor of the holders of all Obligations. Amounts on deposit in such Revenues Account shall be applied in accordance with Section 4.4 hereof. The Master Trustee is hereby authorized to take such self-help and other measures that a secured party is entitled to take under the Florida Uniform Commercial Code. Upon a cure or waiver of the Event of Default, which required the funding of such Revenues Account, the Master Trustee shall transfer the amounts on deposit in the Revenues Account to or at the direction of the Obligated Group Representative.

(c) Each Obligation shall be a joint and several general obligation of each Member of the Obligated Group. Each Member of the Obligated Group covenants to promptly pay or cause to be paid the principal of, premium, if any, and interest on each Obligation issued pursuant to this Master Indenture at the place, on the dates and in the manner provided in this Master Indenture and in said Obligation according to the terms thereof whether at maturity, upon proceedings for redemption, by acceleration or otherwise.

### Section 3.2 COVENANTS AS TO CORPORATE EXISTENCE, MAINTENANCE OF PROPERTIES, ETC. Each Member of the Obligated Group hereby covenants:

(a) Except as otherwise expressly provided herein, to preserve its corporate or other legal existence and with respect to the Initial Obligated Group Member, to deliver educational services as an institution of higher learning, and preserve all its rights and licenses to the extent necessary or desirable in the operation of its business and affairs and be qualified to do business in each jurisdiction where its ownership of Property or the conduct of its business requires such qualifications; provided, however, that nothing herein contained shall be construed to obligate it to retain or preserve any of its rights or licenses, no longer used or, in the judgment of its Governing Body, no longer useful in the conduct of its business.

(b) At all times to cause its Property to be maintained, preserved and kept in good repair, working order and condition and all needed and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing contained in this subsection shall be construed to (i) prevent it from ceasing to operate any portion of its Property, if in its judgment it is advisable not to operate the same, or if it intends to sell or otherwise dispose of the same and within a reasonable time endeavors to effect such sale or other disposition, or (ii) to obligate it to retain, preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(c) To do all things reasonably necessary to conduct its affairs and carry on its business and operations in such manner as to comply with any and all applicable laws of the United States and the several states thereof and duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its Properties; provided, nevertheless, that nothing herein contained shall require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof or the applicability thereof to it shall be contested in good faith and the failure to comply will not have a material adverse effect on the financial condition of the Obligated Group.

(d) To pay promptly when due all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or its Property; provided, however, that it shall have the right to contest in good faith any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof.

(e) To pay promptly or otherwise satisfy and discharge all of its Indebtedness and all demands and claims against it as and when the same become due and payable or within any period of grace with respect thereto, other than any Indebtedness, demands or claims (exclusive of the Obligations created and Outstanding hereunder or any Related Indebtedness) whose validity, amount or collectability is being contested in good faith.

(f) At all times to comply with all terms, covenants and provisions of any Liens at such time existing upon its Property or any part thereof or securing any of its indebtedness.

(g) To procure and maintain all necessary licenses and permits and, with respect to the Initial Obligated Group Member, maintain accreditation of its educational facilities by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC), or other applicable recognized accrediting body; provided, however, that it need not comply with this Section 3.2(g) if and to the extent that its Governing Body shall have determined in good faith, evidenced by a resolution of the Governing Body, that such compliance is not in its best interests and that lack of such compliance would not materially impair its ability to pay its indebtedness when due or to comply with its Related Indebtedness covenants.

(h) So long as this Master Indenture shall remain in force and effect, each Member of the Obligated Group which is a Tax-Exempt Organization at the time it becomes a Member of the Obligated Group agrees that, so long as all amounts due or to become due on any Related Indebtedness have not been fully paid to the holder thereof, it agrees not to take any action or suffer any action to be taken by others, including any action which would result in the alteration or loss of its status as a Tax-Exempt Organization, which, or fail to take any action which failure, in the Opinion of Bond Counsel, would result in the interest on any Related Indebtedness becoming included in the gross income of the holder thereof for federal income tax purposes.

**Section 3.3 INSURANCE.** Each Member of the Obligated Group agrees that it will maintain, or cause to be maintained, insurance (including one or more self-insurance programs considered under customary standards for similar universities or colleges to be adequate) covering such risks, in such amounts and with such deductibles and co-insurance provisions as, in the judgment of the Obligated Group Representative are adequate to protect it and its Property and operations.

**Section 3.4 NEGATIVE PLEDGE.** The Initial Obligated Group Member covenants that it shall not without the express consent of the Holders of at least a majority in aggregate principal amount of all Obligations outstanding, pledge the real property of its core campus in Saint Leo, Florida and more particularly described on Annex A attached hereto, to secure any indebtedness, whether by means of mortgage, deed of trust, or security agreement or otherwise, until all of the Obligations and the Obligated Group's obligations to the Master Trustee under this Master Indenture shall have been paid in full, or sufficient funds therefor (including investment obligations and investment income) are held in trust for such payment.

**Section 3.5 LIMITATIONS ON CREATION OF LIENS; PERMITTED LIENS.**

(a) Each Member of the Obligated Group agrees that it will not create or suffer to be created or permit the existence of any Lien on Property now owned or hereafter acquired by it, other than Permitted Liens. Notwithstanding anything to the contrary herein, for all purposes hereof and any Related Agreement, the creation or granting of any lease, sublease, license,

concession agreement or other agreement, written or oral, for or related to the use, occupancy or operation of any rights or space in any Property shall not constitute a Lien or encumbrance on Property regardless of their treatment for accounting purposes.

(b) Permitted Liens shall consist of the following:

(i) Liens arising by reason of good faith deposits with any Member of the Obligated Group in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Member of the Obligated Group to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(ii) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member of the Obligated Group to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(iii) Any judgment lien against any Member of the Obligated Group so long as such judgment is being contested in good faith and execution thereon is stayed or the liability of such Member of the Obligated Group under such judgment is adequately covered by insurance or reserves;

(iv) (A) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (B) any liens on any Property for taxes, assessments, levies, fees, water and sewer, rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen, laborers, suppliers or vendors, have been due for less than 90 days; (C) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof; (D) to the extent that it affects title to any Property, this Master Indenture; and (E) landlord's liens.

(v) Any Lien which is existing on the date of authentication and delivery of the Initial Obligations issued under this Master Indenture provided that no such Lien

may be increased, extended, renewed or modified to apply to any Property of any Member of the Obligated Group not subject to such Lien on such date or to secure indebtedness not Outstanding as of the date hereof, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien hereunder;

(vi) Any Lien on Property acquired by a Member of the Obligated Group if the indebtedness secured by the Lien is Additional Indebtedness permitted under the provisions of Section 3.6 hereof, and if an Officer's Certificate is delivered to the Master Trustee certifying that (A) the Lien and the indebtedness secured thereby were created and incurred by a Person other than the Member of the Obligated Group, and, (B) the Lien was not created for the purpose of enabling the Member of the Obligated Group to avoid the limitations hereof on creation of Liens on Property of the Obligated Group;

(vii) Any Lien on Property in an aggregate amount not exceeding 15% of the Book Value of all Property of the Obligated Group;

(viii) Any Lien in favor of a creditor or a trustee on the proceeds of indebtedness and any earnings thereon prior to the application of such proceeds and such earnings;

(ix) Any Lien securing all Obligations on a parity basis;

(x) Any Liens subordinate to the Lien described in clause (ix) of this subsection required by a statute under which a Related Indebtedness is issued;

(xi) Liens on moneys deposited by students or others with any Member of the Obligated Group as security for or as prepayment for the cost of the student's education, residences and the like;

(xii) Liens on Property received by any Member of the Obligated Group through gifts, grants (including any lien on equipment purchased with funds from Federal grants) or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon;

(xiii) Liens on Property due to rights of third party payors for recoupment of amounts paid to any Member of the Combined Group;

(xiv) Any Lien on the unrestricted funds of a Member of the Obligated Group if such Lien is given or made in connection with the investment of such unrestricted funds by such Member of the Obligated Group;

(xv) Liens in favor of another Member of the Obligated Group;

(xvi) Liens created to secure insurance contracts and risk-sharing arrangements with insurers and other parties; or

(xvii) Any Lien on the Property of a Person in existence as of the date such Person becomes a Member of the Obligated Group that is disclosed to the Master Trustee in an Officer's Certificate; provided, however, that no such Lien may be increased, extended, renewed or modified to apply to any Property of any Member of the Obligated Group not subject to such Lien on such date, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien;

(xviii) Any Lien in favor of a trustee on the proceeds of Indebtedness prior to the application of such proceeds;

(xix) Liens on Property received by any Member of the Obligated Group through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon;

(xx) Any Lien on pledges, gifts or grants to be received in the future, including any income derived from the investment thereof;

(xxi) Any Lien securing Non-Recourse Indebtedness;

(xxii) Any Lien on all or any part of the Excluded Real Property.

(xxiii) Leases entered into in the ordinary course of business which are not treated hereunder as Long-Term Indebtedness and otherwise permitted hereunder.

**Section 3.6 LIMITATIONS ON INDEBTEDNESS.** Each Member of the Obligated Group covenants and agrees that it will not incur any Additional Indebtedness (a) without the written consent of the Obligated Group Representative, or (b) during any period which an Event of Default exists and has not been cured, unless the Event of Default will be cured by the incurrence of such Additional Indebtedness. Upon the incurrence of Additional Indebtedness the Obligated Group Representative shall deliver a certificate that to its knowledge no Event of Default is continuing under this Master Indenture and no event which with notice or the passage of time or both would become an Event of Default under this Master Indenture has occurred and is continuing.

**Section 3.7 RATES AND CHARGES; REVENUE FUND.**

(a) Each Member of the Obligated Group covenants and agrees to operate all of its Facilities on a revenue-producing basis and to charge such tuition, fees and rates for its Facilities and services and to exercise such skill and diligence, including obtaining payment for services provided, as to provide income from its Property together with other available funds sufficient to pay promptly all payments of principal and interest on its Indebtedness, all expenses of operation, maintenance and repair of its Property and all other payments required to be made by it hereunder to the extent permitted by law. Each Member of the Obligated Group further covenants and agrees that it will from time to time as often as necessary and to the extent permitted by law, revise its rates, fees and charges in such manner as may be necessary or proper to comply with the provisions of this Section.



(b) As additional security for its obligation to pay amounts due on Obligations, Saint Leo University agrees to hold for the benefit of the holders of Obligations, a fund designated as the "Revenue Fund." Saint Leo University agrees to make payments of the University Revenues directly into the Revenue Fund promptly following receipt of such moneys by Saint Leo University. Pursuant to the pledge contained in Section 3.1(a) of this Master Indenture, Saint Leo University hereby grants to the Master Trustee on behalf of the holders of the Obligations a lien on and security interest in all moneys deposited in the Revenue Fund to secure its obligations hereunder, including but not limited to the obligation to make payments pursuant to the Obligations issued hereunder. Saint Leo University shall at all times maintain accounting records reflecting the source of University Revenues for all amounts deposited into the Revenue Fund from time to time and provide to the Master Trustee copies of such records (or reports of the contents thereof) on an annual basis. Provided no Event of Default shall have occurred and be continuing hereunder, Saint Leo University shall have authority to draw upon moneys in the Revenue Fund for use for any lawful purpose. If an Event of Default has occurred under Section 4.1(a) under this Master Indenture and is continuing, Saint Leo University shall not be permitted to draw upon moneys in the Revenue Fund for any purpose (other than the payment of the operating expenses) and the provisions of Section 3.1(b) shall thereafter control.

(c) Notwithstanding any other provision of this Section, each Member of the Obligated Group covenants and agrees that if at any time the amount on deposit is not sufficient to pay any payment due for an Obligation issued under this Master Indenture, each Member of the Obligated Group, from any sources whatsoever, will pay to the Master Trustee, pursuant to this Section, for deposit to the credit of the required funds moneys in an amount sufficient in each year to pay the principal of and interest on the Obligation when due, whether at maturity or upon earlier redemption.

### **Section 3.8 SALE, LEASE OR OTHER DISPOSITION OF CASH AND INVESTMENTS; SALE OF ACCOUNTS.**

(a) Each Member of the Obligated Group agrees that it will not transfer operating assets in any Fiscal Year except for Transfers of Property:

(i) To any Person that the Obligated Group has ceased to operate pursuant to Section 3.2(b) of this Master Indenture.

(ii) To any Person if prior to the sale, lease or other disposition there is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Representative stating that such Property has or will within the next 24 months become inadequate, obsolete, worn out, unsuitable or unnecessary and the sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property, provided, however, that an Officer's Certificate of the Obligated Group Representative shall not be required to be delivered to the Master Trustee with respect to the Transfer of any such Property in any one Fiscal Year having an aggregate Book Value of less than ten percent (10%) of the unrestricted

net assets of the Obligated Group for the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements are available.

(iii) To another Member of the Obligated Group without limit.

(iv) To any Person provided that the Member of the Obligated Group proposing to make such Transfer shall receive, as consideration for such Transfer, cash, services or Property, the value of such consideration to be determined by the management of the Member of the Obligated Group making such transfer, equal to the fair market value of the asset so transferred such fair market value to be determined by the management of the Member of the Obligated Group making such Transfer. Each Member of the Obligated Group covenants to maintain records adequate to enable the Master Trustee to ascertain that the provisions of this paragraph have been complied with and to make such records available to the Master Trustee upon written request.

(v) To any Person if the aggregate Book Value of the operating assets Transferred pursuant to this subsection (v) in the current Fiscal Year does not exceed 20% of the Book Value of all Property of the Obligated Group as shown in the Audited Financial Statements for the most recent Fiscal Year.

(vi) To any Person any operating assets restricted by donor to a particular use.

(vii) To any Person, of all or any part of the Excluded Real Property

Notwithstanding the other provision of this Section 3.8(a), no Transfers shall occur if an Event of Default has occurred under Section 4.1 hereof.

(b) In addition to other Transfers permitted hereunder, any Member of the Obligated Group may Transfer cash or cash equivalents to:

(i) another Member of the Obligated Group without limit,

(ii) any Person, if prior to such Transfer, an Officer's Certificate is delivered to the Master Trustee stating that either (1) such Transfer will be a loan evidenced in writing, (2) such loan is for a reasonable term and bears a reasonable interest rate, and (3) such loan is reasonably expected to be repaid in accordance with its terms, or

(iii) that the Member of the Obligated Group shall receive as consideration for such Transfer services or Property the fair market value of which is at least equal to the amount of the cash or cash equivalents so transferred such fair market value to be determined by management of the Member of the Obligated Group making such Transfer.

Notwithstanding the foregoing provisions of this Section, nothing described under this Section shall be construed as limiting the ability of any Member of the Obligated Group to (i)

pay its expenses of operation, including, without limitation, state and local taxes or payments in lieu of taxes, (ii) provide community benefits and make charitable donations and donations and voluntary payments to government agencies, (iii) purchase or sell Property (other than Property used in the operation of the Facilities) in the ordinary course of business, (iv) Transfer cash, securities and other investment properties in connection with ordinary investment transactions and payment for goods and services provided where such purchases, sales and Transfers are for substantially equivalent value or (v) lease any Property not being used in the operation of the Facilities, subject to the provisions of Section 3.5.

### **Section 3.9 CONSOLIDATION, MERGER, SALE OR CONVEYANCE.**

(a) Each Member of the Obligated Group covenants that it will not merge or consolidate with, or sell or convey all or substantially all of its assets to any Person that is not a Member of the Obligated Group unless:

(i) either a Member of the Obligated Group will be the successor corporation, or if the successor corporation is not a Member of the Obligated Group such successor corporation shall execute and deliver to the Master Trustee an appropriate instrument, in form and substance satisfactory to the Master Trustee, containing the agreement of such successor corporation (A) to become a Member of the Obligated Group under this Master Indenture and thereby become subject to compliance with all provisions of this Master Indenture pertaining to a Member of the Obligated Group, including the security interest provided for in Section 3.1 and the performance and observance of all covenants and obligations of a Member of the Obligated Group hereunder, and (B) unconditionally and irrevocably guaranteeing to the Master Trustee and each other Member of the Obligated Group that all Obligations issued and then Outstanding or to be issued and Outstanding hereunder will be paid in accordance with the terms thereof and of this Master Indenture when due;

(ii) There is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Representative indicating that no Member of the Obligated Group immediately after such merger or consolidation, or such sale or conveyance, would be in default in the performance or observance of any covenant or condition of this Master Indenture; and

(iii) If all amounts due or to become due on any Related Indebtedness which bears interest which is not includable in the gross income of the recipient thereof under the Code have not been fully paid to the holder thereof, there shall have been delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on any date of the delivery of such Related Indebtedness, would not adversely affect the exclusion of interest payable on such Related Indebtedness from the gross income of the holder thereof for purposes of federal income taxation.

Notice shall be provided to each Credit Facility Provider within 10 days of any consolidation, merger, sale or conveyance of any Member of the Obligated Group.

(b) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for its predecessor, with the same effect as if it had been named herein as such predecessor or had become a Member of the Obligated Group pursuant to Section 3.11 hereof, as the case may be. Such successor corporation thereupon may cause to be signed, and may issue in its own name Obligations issuable hereunder; and upon the order of such successor corporation and subject to all the terms, conditions and limitations in this Master Indenture prescribed, the Master Trustee shall authenticate and shall deliver Obligations that such successor corporation shall have caused to be signed and delivered to the Master Trustee. All Outstanding Obligations so issued by such successor corporation hereunder shall in all respects have the same security position and benefit under this Master Indenture as Outstanding Obligations theretofore or thereafter issued in accordance with the terms of this Master Indenture as though all of such Obligations had been issued hereunder without any such consolidation, merger, sale or conveyance having occurred.

(c) In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in Obligations thereafter to be issued under this Master Indenture as may be appropriate.

(d) The Master Trustee may accept an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of this Section and that it is proper for the Master Trustee under the provisions of Article VI and of this Section to join in the execution of any instrument required to be executed and delivered by this Section.

(e) Notwithstanding anything to the contrary contained herein, the Initial Obligated Group Member may establish a single member limited liability corporation of which it is the sole member or establish one or more corporations, into which it may transfer all or a portion of the real property described on Annex A attached hereto, so long as (a) such Person is organized and existing under the laws of the United States of America or a state thereof, and (b) the provisions of Section 3.11 clauses (a) through (d) have been satisfied, and (iv) there shall be delivered to the Master Trustee an Opinion of Bond Counsel that with respect to any Related Indebtedness the interest on which is tax-exempt, that such actions will not adversely affect the exclusion of interest on such Related Indebtedness from gross income of the owners thereof for federal income tax purposes.

### **Section 3.10 FILING OF FINANCIAL STATEMENTS, CERTIFICATE OF NO DEFAULT, OTHER INFORMATION.** The Obligated Group covenants that it will:

(a) No later than 180 days after the end of each Fiscal Year for which the Audited Financial Statements are reported upon by independent certified public accountants, at the request of the Master Trustee, file with the Master Trustee, and with any Credit Facility

Provider who have requested in writing a copy, and with each Holder who may have so requested in writing or on whose behalf the Master Trustee may have so requested, a copy of the Audited Financial Statements as of the end of such fiscal reporting period accompanied by the opinion of independent certified public accountants. Such Audited Financial Statements shall be prepared in accordance with generally accepted accounting principles and shall include such statements necessary for a fair presentation of consolidated financial position, results of operations and changes in net assets and cash flows as of the end of such fiscal reporting period.

(b) If an Event of Default shall have occurred and be continuing, (i) file with the Master Trustee such other financial statements and information concerning its operations and financial affairs (or of any consolidated or combined group of companies, including its consolidated or combined Affiliates, including any Member of the Obligated Group) as the Master Trustee may from time to time reasonably request, excluding student records, personnel records and records subject to attorney-client privilege, and (ii) provide access to its facilities for the purpose of inspection by the Master Trustee or its agents during regular business hours or at such other times as the Master Trustee may reasonably request.

(c) The Obligated Group shall be deemed to have satisfied its obligations to file information with a Holder who requests such information by making such information accessible electronically, including on a website of the Obligated Group Representative.

**Section 3.11 PARTIES BECOMING MEMBERS OF THE OBLIGATED GROUP.** Persons which are not Members of the Obligated Group and corporations which are successor corporations to any Member of the Obligated Group through a merger or consolidation permitted by Section 3.9 hereof may, with the prior written consent of the Obligated Group Representative, become Members of the Obligated Group, if:

(a) The Person or successor corporation which is becoming a Member of the Obligated Group shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, who may rely on an Opinion of Counsel for such satisfaction, containing the agreement of such Person or successor corporation (i) to become a Member of the Obligated Group under this Master Indenture and any Supplements and thereby become subject to compliance with all provisions of this Master Indenture and any Supplements pertaining to a Member of the Obligated Group, and the performance and observance of all covenants and obligations of a Member of the Obligated Group hereunder, and (ii) unconditionally and irrevocably guaranteeing to the Master Trustee and each other Member of the Obligated Group that all Obligations issued and then Outstanding or to be issued and Outstanding hereunder will be paid in accordance with the terms thereof and of this Master Indenture when due.

(b) Each instrument executed and delivered to the Master Trustee in accordance with subsection (a) of this Section, shall be accompanied by an Opinion of Counsel, addressed to all Credit Facility Providers and the Master Trustee, and satisfactory to the Master Trustee, to the effect that such instrument has been duly authorized, executed and delivered by such Person or successor corporation and constitutes a valid and binding obligation enforceable in

accordance with its terms, except as enforceability may be limited by bankruptcy laws, insolvency laws, other laws affecting creditors' rights generally, equity principles and laws dealing with fraudulent conveyances.

(c) The Obligated Group Representative shall have delivered to the Master Trustee an Officer's Certificate which shall state that (i) such admission and such instrument comply with this Article and that all conditions precedent provided in this Master Indenture relating to such admission have been complied with and (ii) immediately after giving effect to such admission, no Event of Default hereunder shall have occurred and be continuing.

(d) If all amounts due or to become due on any Related Indebtedness which bears interest which is not includable in the gross income of the recipient thereof under the Code have not been paid to the Holders thereof, there shall be filed with the Master Trustee and all Credit Facility Providers an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not adversely affect the exclusion of the interest on any such Related Indebtedness from the gross income of the holder thereof for purposes of federal income taxation.

(e) Notwithstanding anything else contained herein to the contrary, no Person shall become a Member of the Obligated Group if such action shall cause the rating, if any, on any Related Indebtedness to be lowered or withdrawn.

### **Section 3.12 WITHDRAWAL FROM THE OBLIGATED GROUP.**

(a) No Member of the Obligated Group may withdraw from the Obligated Group without the prior written consent of the Obligated Group Representative and unless, prior to the taking of such action, there is delivered to the Master Trustee:

(i) If all amounts due on any Related Indebtedness which bear interest which is not includable in the gross income of the recipient thereof under the Code have not been paid to the holders thereof, there shall be delivered to the Master Trustee and any Credit Facility Providers an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law such Member's withdrawal from the Obligated Group, whether or not contemplated on any date of delivery of any Related Indebtedness, would not cause the interest payable on such Related Indebtedness to become includable in the gross income of the recipient thereof under the Code; and

(ii) An Officer's Certificate which shall state that (A) all conditions precedent provided in this Master Indenture relating to such withdrawal have been complied with and (B) immediately after giving effect to such withdrawal, no Event of Default hereunder shall have occurred and be continuing.

(b) Upon the withdrawal of any Member from the Obligated Group pursuant to subsection (a) of this Section, (i) any guaranty by such Member pursuant to Section 3.11 hereof

shall be released and discharged in full and all liability of such Member of the Obligated Group with respect to all Obligations Outstanding under this Master Indenture shall cease, and (ii) notification by the Obligated Group Representative shall be provided to any Credit Facility Provider.

(c) Notwithstanding anything in this Section 3.12 or any other provisions of this Master Indenture to the contrary, Saint Leo University shall not at any time withdraw from the Obligated Group.

(d) Notwithstanding anything else contained herein to the contrary, no Member of the Obligated Group may withdraw from the Obligated Group if such action shall cause the rating, if any, on any Related Indebtedness to be lowered or withdrawn.

**Section 3.13 DEBT SERVICE RESERVE FUNDS.** The Master Trustee shall establish and maintain one or more Debt Service Reserve Funds as security for one or more Obligations issued hereunder pursuant to this Section 3.13 and any Supplement directing that a Debt Service Reserve Fund be established or maintained as security for the Obligation issued thereunder.

(b) Each Debt Service Reserve Fund may serve as security for only one Obligation issued hereunder or may serve as security for more than one Obligation issued hereunder, in which case all Obligations secured by such Debt Service Reserve Fund shall be secured equally and ratably by the amounts on deposit in such Debt Service Reserve Fund; provided, however, that no Debt Service Reserve Fund shall serve as security for one or more Obligations that secure Tax-Exempt Related Indebtedness and one or more Obligations that evidence or secure taxable Indebtedness or Related Indebtedness.

(c) Upon establishment of a Debt Service Reserve Fund, the Members of the Obligated Group shall transfer, or cause to be transferred, money in an amount equal to the Debt Service Reserve Fund Requirement to the Master Trustee for deposit into such Debt Service Reserve Fund. After the establishment of a Debt Service Reserve Fund, if a Supplement provides that the Obligation issued thereunder shall be secured by such Debt Service Reserve Fund, the Members of the Obligated Group shall transfer, or cause to be transferred, to the Master Trustee for deposit into such Debt Service Reserve Fund money in an amount equal to the difference between the Debt Service Reserve Fund Requirement (after giving effect to the issuance of such Obligation) and the amount then on deposit in such Debt Service Reserve Fund.

(d) If a Debt Service Reserve Fund secures more than one Obligation, the Master Trustee shall establish an account within such Debt Service Reserve Fund for each source of money deposited in such fund, such as proceeds of Related Indebtedness secured by, or Indebtedness evidenced by, an Obligation or other money of Members of the Obligated Group, and deposit the money obtained from each such source in the appropriate account. Such accounts shall be established solely for the convenience of the Members of the Obligated Group in maintaining an accounting of the uses and applications of such funds under the provisions of

applicable federal and state law, and shall equally and ratably secure all Obligations for which such Debt Service Reserve Fund has been established.

(e) If the Holder of an Obligation secured by a Debt Service Reserve Fund delivers a written notice to the Master Trustee to the effect that the amount of principal or interest paid by the Obligated Group or the amount otherwise available to the Holder of such Obligation is less than the amount of principal or interest then due on such Obligation and specifying the amount of such deficiency of principal, interest or both, the Master Trustee, without further direction, shall immediately withdraw moneys from such Debt Service Reserve Fund in the amount of such deficiency and transfer such moneys to such Holder. If such Debt Service Reserve Fund secures more than one Obligation, the Master Trustee shall withdraw the amount of such deficiency from each account within such Debt Service Reserve Fund on a pro rata basis based on the amounts then on deposit in each such account. Amounts on deposit in any Debt Service Reserve Fund shall not be applied to pay principal of or interest on any Obligation other than the Obligation or Obligations secured thereby. The Master Trustee shall promptly provide written notice to the Members of the Obligated Group of any such withdrawal from any Debt Service Reserve Fund.

(f) Unless otherwise provided in the Supplement directing that a Debt Service Reserve Fund be established and maintained, beginning on the 25th day of the month following a month in which money is withdrawn from a Debt Service Reserve Fund and continuing on the 25th day of each month thereafter, each Member of the Obligated Group covenants promptly to pay or cause to be paid to the Master Trustee for deposit into such Debt Service Reserve Fund, one-twelfth (1/12) of the amount or amounts so withdrawn until the amount then on deposit in such Debt Service Reserve Fund is equal to the Debt Service Reserve Fund Requirement. If an additional withdrawal is made from such Debt Service Reserve Fund prior to the restoration of the initial withdrawal, such additional withdrawal shall be restored by the Members of the Obligated Group in equal monthly installments over the remainder of the restoration period for the initial withdrawal. If such Debt Service Reserve Fund secures more than one Obligation, the Master Trustee shall deposit each amount paid to restore such Debt Service Reserve Fund into each account within such Debt Service Reserve Fund on a pro rata basis based on the amounts withdrawn from each such account.

(g) If on any date of valuation pursuant to subsection (l) below the money held in a Debt Service Reserve Fund exceeds the Debt Service Reserve Fund Requirement, including any excess created in whole or in part by the interest earnings on such Debt Service Reserve Fund, an amount equal to such excess shall be transferred by the Master Trustee to the Holder of the Obligation secured by such Debt Service Reserve Fund or, if more than one Obligation is secured by such Debt Service Reserve Fund, such excess shall be withdrawn from each account within such Debt Service Reserve Fund on a pro rata basis based on the amounts then on deposit in each such account and the amount withdrawn from each account shall be paid to the Holder of the Obligation that secures the Related Indebtedness or Indebtedness that were the source of the moneys deposited in such account or to the Members of the Obligated Group if they were the source of the moneys deposit in such account; provided, however, that any excess

created by a refunding (or other payment or defeasance) of a portion of any Tax-Exempt Related Indebtedness may be applied in any manner which, in an Opinion of Bond Counsel, will not cause the interest on such Tax-Exempt Related Indebtedness to be includable in the gross income of the owners thereof under the Code. Any such excess transferred to a Holder shall be credited against future amounts payable to such Holder by the Members of the Obligated Group, unless transferred to cure deficiencies therein.

(h) Unless otherwise provided in the Supplement directing that a Debt Service Reserve Fund be established and maintained, money held for the credit of a Debt Service Reserve Fund shall be continuously invested and reinvested by the Master Trustee in Investment Obligations to the extent practicable in accordance with the written instructions of an Obligated Group Representative or, if no such instruction is given, in Government Obligations having a maturity not greater than 180 days from the date of such investment. If accounts have been established within a Debt Service Reserve Fund, the Master Trustee may invest the money within each account separately or may use money from each account to purchase a proportionate share of an investment based on the balance then on deposit in each such account. Unless otherwise provided in the Supplement directing that a Debt Service Reserve Fund be established and maintained, Investment Obligations deposited in a Debt Service Reserve Fund shall mature not later than ten (10) years from the date on which such Investment Obligations were deposited therein. Notwithstanding the foregoing, no Investment Obligations in a Debt Service Reserve Fund may mature beyond the latest maturity date of any Related Indebtedness Outstanding that are secured by an Obligation that is secured by such Debt Service Reserve Fund at the time such Investment Obligations are deposited unless irrevocable instructions shall have been given to redeem such Investment Obligations on a date or dates not later than the latest maturity date of any such Related Indebtedness Outstanding. For the purposes of this Section 3.13, the maturity date of repurchase agreements for Government Obligations or other obligations is the maturity date of such repurchase agreements and not the maturity date of the underlying Government Obligations or other obligations.

(i) The Obligated Group Representative shall give to the Master Trustee written directions or telephonic instructions that are confirmed immediately in writing respecting the investment of any money required to be invested under this Section 3.13, subject, however, to the provisions of this Section 3.13, and the Master Trustee shall, to the extent practicable, then invest such money under this Section 3.13 as so directed by such Obligated Group Representative. The Master Trustee may request, in writing, direction or authorization of an Obligated Group Representative with respect to the proposed investment of money under the provisions of this Section 3.13. Upon receipt of such request, accompanied by a memorandum setting forth the details of any proposed investment, the Obligated Group Representative will either approve such proposed investment or will give written directions to the Master Trustee respecting the investment of such money and, in the case of such directions, the Master Trustee shall then, subject to the provisions of this Section 3.13, invest such money in accordance with such directions.

(j) Investment Obligations credited to any Debt Service Reserve Fund established under this Section 3.13 shall be held by or under the control of the Master Trustee and while so held shall be deemed at all times to be part of such fund or account in which such money was originally held, and the interest accruing thereon and any profit or loss realized upon the disposition or maturity of such investment shall be credited to or charged against such fund or account. The Master Trustee shall sell at the market price available or reduce to cash a sufficient amount of such Investment Obligations whenever it shall be necessary so to do in order to provide moneys to make any payment or transfer of moneys from any such fund or account. The Master Trustee shall not be liable or responsible for any loss resulting from any such investment.

(k) For the purpose of determining the amount on deposit in any Debt Service Reserve Fund or account therein, Investment Obligations in which money in such fund or account is invested shall be valued (a) at face value if such Investment Obligations mature within six months from the date of valuation thereof, and (b) if such Investment Obligations mature more than six months after the date of valuation thereof at the price at which such Investment Obligations are redeemable by the holder at such holder's option if so redeemable, or, if not so redeemable, at the lesser of (i) the cost of such Investment Obligations minus the amortization of any premium or plus the amortization of any discount thereon and (ii) the market value of such Investment Obligations if market value is available from common published sources.

(l) The Master Trustee shall value the Investment Obligations in each Debt Service Reserve Fund and accounts therein established under this Section 3.13 and held by the Master Trustee five (5) business days prior to each April 1 and October 1 and at such times as shall be required in order for the Members of the Obligated Group to comply with federal income tax law applicable to any Related Indebtedness. In addition, the Investment Obligations shall be valued by the Master Trustee at any time requested in writing by an Obligated Group Representative on reasonable notice to the Master Trustee (which period of notice may be waived or reduced by the Master Trustee); provided, however, that the Master Trustee shall not be required to value the Investment Obligations more than once in any calendar month other than as provided herein.

(m) If upon valuation of a Debt Service Reserve Fund, the balance in such fund, including accrued interest to the date of valuation, is less than 90% of the Debt Service Reserve Fund Requirement, the Master Trustee shall compute the amount by which the Debt Service Reserve Fund Requirement exceeds such balance and shall immediately give the Members of the Obligated Group notice of such deficiency and the amount necessary to cure the same.

(n) Unless otherwise provided in the Supplement directing that a Debt Service Reserve Fund be established and maintained, beginning on the 25th day of the month following a valuation made in accordance with this Section 3.13 in which the amount on deposit in such Debt Service Reserve Fund is less than ninety percent (90%) of the Debt Service Reserve Fund Requirement due to a loss resulting from a decline in the value of Investment Obligations held for the credit of such Debt Service Reserve Fund and continuing on the 25<sup>th</sup> day of each month

thereafter, each Member of the Obligated Group covenants promptly to pay or cause to be paid to the Master Trustee for deposit into such Debt Service Reserve Fund, one-sixth (1/6) of the amount by which the Debt Service Reserve Fund Requirement exceeds such balance until the amount on deposit to the credit of such Debt Service Reserve Fund is equal to the Debt Service Reserve Fund Requirement.

(o) The Members of the Obligated Group covenant and agree that money on deposit in any Debt Service Reserve Fund, whether or not such money was derived from the proceeds of the sale of any Tax-Exempt Related Indebtedness or from any other sources, and whether or not any Tax-Exempt Related Indebtedness are Outstanding, (i) will not be used in a manner that would cause any Tax-Exempt Related Indebtedness to be "arbitrage bonds" within the meaning of Section 148 of the Code and (ii) will be used in a manner that will cause any Tax-Exempt Related Indebtedness not to be "arbitrage bonds" within the meaning of Section 148 of the Code; provided, however, that the Master Trustee shall have no obligation to pay any amounts necessary to comply with this covenant other than from money received by the Master Trustee from the Members of the Obligated Group. The Master Trustee shall be fully protected in relying upon any written investment instruction given by an Obligated Group Representative. In the event the Obligated Group Representative is of the opinion that it is necessary to restrict or limit the yield on the investment of money held by the Master Trustee pursuant to this Section 3.13, or to use such money in certain manners, in order to avoid any Tax-Exempt Related Indebtedness being considered "arbitrage bonds" within the meaning of Section 148 of the Code as such may be applicable to such Tax-Exempt Related Indebtedness at such time, the Obligated Group Representative may issue to the Master Trustee a written certificate to such effect and appropriate instructions, in which event the Master Trustee shall take such action as is set forth in such certificate and instructions, irrespective of whether the Master Trustee shares such opinion.

**Section 3.14 COVENANTS OF THE OBLIGATED GROUP.** The Obligated Group agrees to use its best efforts to transfer funds or other assets to the Member of the Obligated Group that is its sole member, beneficiary or controlling person to the extent permitted by law or other governmental restriction for the purpose of allowing the Obligated Group to satisfy (i) its debt service requirements applicable to any Obligations and (ii) its covenants hereunder.

#### ARTICLE IV DEFAULT AND REMEDIES

**Section 4.1 EVENTS OF DEFAULT.** Event of Default, as used herein, shall mean any of the following events:

(a) The Members of the Obligated Group shall fail to make any payment of the principal of, the premium, if any, or interest on any Obligations issued and Outstanding hereunder, and any other payments, including the purchase or redemption price of Put Indebtedness, required to be made under the Supplements creating such Obligations and under such Obligations, when and as the same shall become due and payable, whether at maturity, by

proceedings for redemption, by acceleration or otherwise, in accordance with the terms thereof, of this Master Indenture or of any Supplement;

(b) Any Member of the Obligated Group shall fail duly to perform, observe or comply with any covenant or agreement on its part under this Master Indenture for a period of 45 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Members of the Obligated Group by the Master Trustee, or to the Members of the Obligated Group and the Master Trustee by the Holders of at least 25% in aggregate principal amount of Obligations then Outstanding; provided, however, that if said failure be such that it cannot be corrected within forty-five (45) days after the receipt of such notice, it shall not constitute an Event of Default if corrective action is instituted within such 45-day period and diligently pursued until the Event of Default is corrected;

(c) An event of default shall occur under a Related Agreement or upon Related Indebtedness;

(d) (i) Any Member of the Obligated Group shall fail to make any required payment with respect to any indebtedness (other than Obligations issued and Outstanding hereunder), which indebtedness is in an aggregate principal amount greater than one percent (1%) of total operating revenues for the most recent Fiscal Year whether such indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or (ii) there shall occur an event of default as defined in any indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any indebtedness, which indebtedness is in an aggregate principal amount greater than one percent (1%) of total operating revenues for the most recent Fiscal Year whether such indebtedness now exists or shall hereafter be created, which event of default shall not have been waived by the holder of such indenture or instrument, and as a result of such failure to pay or other event of default such indebtedness shall have been accelerated; provided, however, that such default shall not constitute an Event of Default within the meaning of this Section if within 30 days (i) written notice is delivered to the Master Trustee, signed by the Obligated Group Representative, that such Member of the Obligated Group is contesting the payment of such indebtedness and within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the indebtedness is commenced, any Member of the Obligated Group in good faith shall commence proceedings to contest the obligation to pay such indebtedness and if a judgment relating to such indebtedness has been entered against such Member of the Obligated Group (A) the execution of such judgment has been stayed or (B) sufficient moneys are reserved for the payment of such indebtedness;

(e) The entry of a decree or order by a court having jurisdiction in the premises for an order for relief against any Member of the Obligated Group, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such Member under the United States Bankruptcy Code or any other applicable federal or state law, or appointing a receiver, liquidator, custodian, assignee, or sequestrator (or other similar official) of such Member or of any substantial part of its Property, or ordering the winding up or

liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days;

(f) The institution by any Member of the Obligated Group of proceedings for an order for relief, or the consent by it to an order for relief against it, or the filing by it of a petition or answer or consent seeking reorganization, arrangement, adjustment, composition or relief under the United States Bankruptcy Code or any other similar applicable federal or state law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, custodian, assignee, trustee or sequestrator (or other similar official) of such Member of the Obligated Group or of any substantial part of its Property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due; and

(g) Any Event of Default shall occur under any security document, instrument or agreement of any kind relating to the Obligations to which a Member of the Obligated Group is a party, other than as the secured party thereunder.

**Section 4.2 ACCELERATION.** Obligations issued under this Master Indenture shall only be deemed to be Accelerable Obligations to the extent provided by the provisions of the Supplement related to such Obligations. Any Related Indebtedness issued under a Related Agreement shall be subject to acceleration on account of any Event of Default only if the Obligation related to such Related Indebtedness may be accelerated.

If an Event of Default occurs and is continuing, then in every such case the Master Trustee, if requested or directed in writing by the Holders of a majority in aggregate principal amount of all Outstanding Accelerable Obligations shall, by written notice to the Obligated Group Representative, declare the principal of all Accelerable Obligations and the interest accrued thereon to be due and payable immediately, and upon any such notice such principal and interest of such Accelerable Obligations shall become immediately due and payable.

At any time after a declaration of acceleration of Accelerable Obligations has been made, but before any judgment or decree for payment of money due on Obligations has been obtained by the Master Trustee as hereinafter provided, the Holders of a majority in aggregate principal amount of the Accelerable Obligation Outstanding may, by written notice to the Master Trustee and the Obligated Group Representative, rescind and annul such declaration and consequences.

#### **Section 4.3 ADDITIONAL REMEDIES AND ENFORCEMENT OF REMEDIES.**

(a) Subject to the provisions of Section 8.4 hereof, upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the written direction of the Holders of not less than 50% in aggregate principal amount of the Obligations Outstanding, together with indemnification of the Master Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Holders hereunder by such suits,

actions or proceedings as the Master Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(i) Enforcement of the right of the Holders to collect and enforce the payment of amounts due or becoming due under the Obligations;

(ii) Suit upon all or any part of the Obligations;

(iii) Civil action to require any Person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Obligations to account as if it were the trustee of an express trust for the Holders;

(iv) Civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders;

(v) Enforcement of rights as a secured party under the Uniform Commercial Code of the State of Florida, if applicable;

(vi) Enforcement of any other right of the Holders conferred by law or hereby.

(b) Regardless of the happening of an Event of Default, the Master Trustee, if directed in writing by the Holders of not less than 50% in aggregate principal amount of the Obligations then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security hereunder by any acts which may be unlawful or in violation hereof, or (ii) to preserve or protect the interests of the Holders, provided that such direction and the action to be taken by the Master Trustee are not in conflict with any applicable law or the provisions hereof and, in the sole judgment of the Master Trustee, are not unduly prejudicial to the interest of the Holders not making such direction.

**Section 4.4 APPLICATION OF MONEYS AFTER DEFAULT.** During the continuance of an Event of Default all moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of this Article shall be applied, (i) after the payment of any compensation, expenses, disbursements and advances then owing to the Master Trustee (including reasonable attorney fees and expenses) pursuant to Section 5.5 hereof, as follows and (ii) by depositing on a monthly basis (or more frequently as requested in writing by the Obligated Group Representative) in an account of the Obligated Group Representative for the payment of the expenses of operating any Member of the Obligated Group in accordance with the written budget of such Member, as follows:

(a) Unless the principal of all Outstanding Obligations shall have become or have been declared due and payable:

First: To the payment to the Persons entitled thereto of all installments of interest then due on Obligations in the order of the maturity of such installments, and, if the

amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference;

Second: To the payment to the Persons entitled thereto of the unpaid principal installments of any Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, to the Persons entitled thereto, without any discrimination or preference;

Third: To the payment to the Persons entitled thereto of any unpaid Derivative Obligations evidenced and secured by Obligations that are subordinate to other Obligations which shall have become due, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all such unpaid Derivative Obligations due on any date, then to the payment thereof ratably, according to the amounts of unpaid Derivative Obligations due on such date, to the Persons entitled thereto, without any discrimination or preference.

(b) If the principal of all Outstanding Obligations shall have become or have been declared due and payable (which shall only be permitted to the extent set forth in Section 4.2 hereof),

First: To the payment of the principal and interest then due and unpaid upon Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Obligation over any other Obligation, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference, except Derivative Obligations evidenced and secured by an Obligation that are subordinate to other Obligations; and

Second: To the payment of Derivative Obligations evidenced and secured by Obligations that are subordinate to other Obligations.

(c) If the principal of all Outstanding Obligations shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article or the respective Supplement, then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all Outstanding Obligations shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied by the Master Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Master Trustee shall determine, having due regard for the amount of such moneys available for

application and the likelihood of additional moneys becoming available for such application in the future, and as may be directed pursuant to Section 4.7 hereof. Whenever the Master Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Master Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Obligation until such Obligation shall be presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all Obligations and interest thereon have been paid or provided for, under the provisions of this Section and all expenses and charges of the Master Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive the same; if no other Person shall be entitled thereto, then the balance shall be paid to the Members of the Obligated Group, their respective successors, or as a court of competent jurisdiction may direct.

Notwithstanding any provision of this Master Indenture to the contrary, for the purpose of determining the amount of unpaid principal of and interest on any Outstanding Obligation, the amount paid or available to be paid to the Holder of such Obligation from a Debt Service Reserve Fund securing such Obligation shall be deducted.

Notwithstanding any provision of this Section to the contrary, for purposes of this Section, "interest" on Obligations that evidence and secure Derivative Obligations shall mean regularly scheduled payments under the applicable Derivative Agreement and "principal" of such Obligations shall mean termination payments and any other payments except regularly scheduled payments under the applicable Derivative Agreement. Unless otherwise provided in the Supplement creating an Obligation that evidences and secures Derivative Obligations, payment of the portion of such Obligation that evidences and secures termination payments and any other payments except regularly scheduled payments under a Derivative Agreement shall be subordinate to the payment of other Obligations.

**Section 4.5 REMEDIES NOT EXCLUSIVE.** No remedy by the terms hereof conferred upon or reserved to the Master Trustee or the Holders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or existing at law or in equity or by statute on or after the date hereof.

**Section 4.6 REMEDIES VESTED IN THE MASTER TRUSTEE.** All rights of action (including the right to file proof of claims) hereunder or under any of the Obligations may be enforced by the Master Trustee without the possession of any of the Obligations or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Master Trustee may be brought in its name as the Master Trustee without the necessity of joining as plaintiffs or defendants any Holders. Subject to the provisions of Section 4.4 hereof, any recovery or judgment shall be for the equal benefit of the Holders.



**Section 4.7 HOLDERS' CONTROL OF PROCEEDINGS.** Subject to the provisions of Section 8.4 hereof, if an Event of Default shall have occurred and be continuing, notwithstanding anything herein to the contrary, the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Master Trustee and accompanied by indemnity satisfactory to the Master Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions hereof, to direct the application of moneys as set forth in Section 4.4 hereof or for the appointment of a receiver or any other proceedings hereunder; provided that such direction is not in conflict with any applicable law or the provisions hereof, and is not unduly prejudicial to the interest of any Holders not joining in such direction; provided further, that the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee in good faith shall determine that the proceeding so directed would subject it to liability for which it has not received indemnification satisfactory to it; provided further, that nothing in this Section shall impair the right of the Master Trustee in its discretion to take any other action hereunder which it may deem proper and which is not inconsistent with such direction by the Holders.

**Section 4.8 TERMINATION OF PROCEEDINGS.** In case any proceeding taken by the Master Trustee on account of an Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Master Trustee or to the Holders, then the Members of the Obligated Group, the Master Trustee and the Holders shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Master Trustee and the Holders shall continue as if no such proceeding had been taken.

**Section 4.9 WAIVER OF EVENT OF DEFAULT.**

(a) No delay or omission of the Master Trustee or of any Holder to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article to the Master Trustee and the Holders, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Master Trustee may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions hereof, or before the completion of the enforcement of any other remedy hereunder.

(c) Notwithstanding anything contained herein to the contrary, the Master Trustee, upon the written direction of the Holders of not less than a majority of the aggregate principal amount of Obligations then Outstanding, shall waive any Event of Default hereunder and its consequences; provided, however, that, except under the circumstances set forth in subsection (b) of Section 4.3 hereof, a default in the payment of the principal of, premium, if any, or interest on any Obligation, when the same shall become due and payable by the terms thereof or upon

call for redemption, may not be waived without the written consent of the Holders of all the Obligations (with respect to which such payment default exists) at the time Outstanding.

(d) In case of any waiver by the Master Trustee of an Event of Default hereunder, the Members of the Obligated Group, the Master Trustee and the Holders shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

**Section 4.10 APPOINTMENT OF RECEIVER.** Upon the occurrence of any Event of Default unless the same shall have been waived as herein provided, the Master Trustee shall be entitled as a matter of right if it shall so elect and if permitted to do so by this Master Indenture and as set forth in the applicable Supplement, (i) forthwith and without declaring the Obligations to be due and payable, (ii) after declaring the same to be due and payable, if permitted or (iii) upon the commencement of an action to enforce the specific performance hereof or in aid thereof or upon the commencement of any other judicial proceeding to enforce any right of the Master Trustee or the Holders, to the appointment of a receiver or receivers of any or all of the Property of the Obligated Group with such powers as the court making such appointment shall confer. Each Member of the Obligated Group, respectively, hereby consents and agrees, and will if requested by the Master Trustee consent and agree at the time of application by the Trustee for appointment of a receiver of its Property, to the appointment of such receiver of its Property and that such receiver may be given the right, power and authority, to the extent the same may lawfully be given, to take possession of and operate and deal with such Property and the revenues, profits and proceeds therefrom, with like effect as the Member of the Obligated Group could do so, and to borrow money and issue evidences of indebtedness as such receiver.

**Section 4.11 REMEDIES SUBJECT TO PROVISIONS OF LAW.** All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this instrument or the provisions hereof invalid or unenforceable under the provisions of any applicable law.

**Section 4.12 NOTICE OF DEFAULT.** Promptly after obtaining knowledge of any Event of Default, each Member of the Obligated Group shall deliver to the Master Trustee a written notice specifying the nature and period of existence of such Event of Default and the action the Obligated Group is taking and proposes to take with respect thereto.

The Master Trustee shall, within 10 days after it has actual knowledge of the occurrence of an Event of Default, mail, by first class mail, to all Holders as the names and addresses of such Holders appear upon the books of the Master Trustee, notice of such Event of Default known to the Master Trustee, unless such Event of Default shall have been cured before the giving of such notice; provided that, except in the case of default in the payment of the principal of or premium, if any, or interest or any other payment on any of the Obligations and the Events of Default specified in subsections (e) and (f) of Section 4.1, the Master Trustee shall be

protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or any responsible officer of the Master Trustee in good faith determines that the withholding of such notice is in the interests of the Holders.

## ARTICLE V THE MASTER TRUSTEE

### Section 5.1 CERTAIN DUTIES AND RESPONSIBILITIES.

(a) Except during the continuance of an Event of Default:

(i) The Master Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Master Indenture, and no implied covenants or obligations shall be read into this Master Indenture against the Master Trustee; and

(ii) In the absence of bad faith on its part, the Master Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Master Trustee and conforming to the requirements of this Master Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Master Trustee, the Master Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Master Indenture.

(b) In case an Event of Default has occurred and is continuing, the Master Trustee shall exercise such of the rights and powers vested in it by this Master Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Master Indenture shall be construed to relieve the Master Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this subsection (c) shall not be construed to limit the effect of subsection (a) of this Section;

(ii) the Master Trustee shall not be liable for any error of judgment made in good faith by a chairman or vice-chairman of the board of directors, the chairman or vice-chairman of the executive committee of the board of directors, the president, any vice president (however designated), the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller and any assistant controller or any other officer or employee of the Master Trustee or its designated agent customarily performing functions similar to those performed by any of the above designated officers or with respect to a particular matter, any other officer or employee to whom such matter is referred because

of his knowledge of and familiarity with the particular subject, unless it shall be proved that the Master Trustee was negligent in ascertaining the pertinent facts;

(iii) the Master Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Obligations relating to the time, method and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred upon the Master Trustee, under this Master Indenture, except under the circumstances set forth in Subsection (c) of Section 4.9 hereof requiring the consent of the Holders of all the Obligations at the time Outstanding; and

(iv) no provision of this Master Indenture shall require the Master Trustee to expend or risk its own funds or otherwise incur any financial or other liability, directly or indirectly, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Master Indenture relating to the conduct or affecting the liability of or affording protection to the Master Trustee shall be subject to the provisions of this Section.

**Section 5.2 CERTAIN RIGHTS OF MASTER TRUSTEE.** Except as otherwise provided in Section 5.1:

(a) The Master Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Any request, direction or statement of any Member of the Obligated Group mentioned herein shall be sufficiently evidenced by an Officer's Certificate and any action of the Governing Body may be sufficiently evidenced by a copy of a resolution certified by the secretary or an assistant secretary of the Member of the Obligated Group to have been duly adopted by the Governing Body and to be in full force and effect on the date of such certification and delivered to the Master Trustee.

(c) Whenever in the administration of this Master Indenture the Master Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Master Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate.

(d) The Master Trustee may consult with counsel or an independent auditor and the written advice of such counsel or independent auditor or any Opinion of Counsel shall be full

and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(e) The Master Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Master Indenture whether on its own motion or at the request or direction of any of the Holders pursuant to this Master Indenture which shall be in the opinion of the Master Trustee likely to involve expense or liability not otherwise provided for herein, unless one or more Holders or such Holders making such request or direction shall have offered and furnished to the Master Trustee reasonable security or indemnity satisfactory to the Master Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction or otherwise in connection herewith.

(f) The Master Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document, but the Master Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Master Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of any Member of the Obligated Group, personally or by agent or attorney.

(g) The Master Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Master Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

**Section 5.3 RIGHT TO DEAL IN OBLIGATIONS AND RELATED INDEBTEDNESS AND WITH MEMBERS OF THE OBLIGATED GROUP.** The Master Trustee may in good faith buy, sell or hold and deal in any Obligations and Related Indebtedness with like effect as if it were not such Master Trustee and may commence or join in any action which a Holder or holder of a Related Indebtedness is entitled to take and may otherwise deal with Members of the Obligated Group with like effect as if the Master Trustee were not the Master Trustee; provided, however, that if the Master Trustee has or shall acquire any conflicting interest, it shall, within 90 days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign as Master Trustee.

**Section 5.4 REMOVAL AND RESIGNATION OF THE MASTER TRUSTEE.** The Master Trustee may resign on its motion or may be removed upon 30 days' notice by an instrument or instruments in writing signed by the Holders of not less than a majority of the principal amount of Obligations then Outstanding or, if no Event of Default shall have occurred and be continuing, by an instrument in writing signed by the Obligated Group Representative. No such resignation or removal shall become effective unless and until a successor Master Trustee (or temporary successor trustee as provided below) has been appointed and has assumed the trusts created hereby. The Master Trustee shall continue to be indemnified for any act performed in such role of Master Trustee to the extent any such act was indemnified, even if Master Trustee resigns or is removed, and then a claim later arises after

such resignation or removal but the basis for such claim occurred prior to such resignation or removal. Written notice of such resignation or removal shall be given to the Members of the Obligated Group and to each Holder by first class mail at the address then reflected on the books of the Master Trustee and such resignation or removal shall take effect upon the appointment and qualification of a successor Master Trustee. A successor Master Trustee may be appointed by the Obligated Group Representative or, if no such appointment is made by the Obligated Group Representative within thirty (30) days of the date notice of resignation or removal is given, the Holders of not less than a majority in aggregate principal amount of Obligations Outstanding. In the event a successor Master Trustee has not been appointed and qualified within sixty (60) days of the date notice of resignation is given, the Master Trustee, any Member of the Obligated Group or any Holder may apply to any court of competent jurisdiction for the appointment of a temporary successor Master Trustee to act until such time as a successor is appointed as above provided.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Master Trustee shall be a trust company or bank having the powers of a trust company as to trusts, qualified to do and doing trust business in one or more states of the United States of America and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least \$50,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

Every successor Master Trustee however appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to each Member of the Obligated Group an instrument in writing, accepting such appointment hereunder, and thereupon such successor Master Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver an instrument transferring to such successor Master Trustee all the rights, powers and trusts of such predecessor. The predecessor Master Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Master Trustee. The predecessor Master Trustee shall promptly deliver all material records relating to the trust or copies thereof and, on request, communicate all material information it may have obtained concerning the trust to the successor Master Trustee.

Each successor Master Trustee, not later than ten (10) days after its assumption of the duties hereunder, shall mail a notice of such assumption to each registered Holder.

**Section 5.5 COMPENSATION AND REIMBURSEMENT.** Each Member of the Obligated Group, respectively, agrees:

(a) To pay the Master Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall be agreed to in writing between the Obligated Group Representative and the Master Trustee, but shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust).

(b) Except as otherwise expressly provided herein, to reimburse the Master Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Master Trustee, including fees on collection and enforcement, in accordance with any provision of this Master Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and its agents, including amounts incurred in any bankruptcy proceeding), except any such expense, disbursement or advance as may be attributable to its negligence or willful misconduct.

(c) To indemnify the Master Trustee for, and to hold it harmless against, any loss, liability, cost or expense incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this trust or its duties hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

**Section 5.6 RECITALS AND REPRESENTATIONS.** The recitals, statements and representations contained herein, or in any Obligation (excluding the Master Trustee's authentication on the Obligations) shall be taken and construed as made by and on the part of the Members of the Obligated Group, respectively, and not by the Master Trustee, and the Master Trustee neither assumes nor shall be under any responsibility for the correctness of the same.

The Master Trustee makes no representation as to, and is not responsible for, the validity or sufficiency hereof, of the Obligations, or the validity or sufficiency of insurance to be provided. The Master Trustee shall be deemed not to have made representations as to the security afforded hereby or hereunder or as to the validity or sufficiency of such document. The Master Trustee shall not be concerned with or accountable to anyone for the use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof. The Master Trustee shall have no duty of inquiry with respect to any default or Events of Default described herein without actual knowledge of or receipt by the Master Trustee of written notice of a default or an Event of Default from a Member of the Obligated Group or any Holder.

**Section 5.7 SEPARATE OR CO-MASTER TRUSTEE.** At any time or times, for the purpose of meeting any legal requirements of any jurisdiction, the Master Trustee shall have power to appoint, and, upon the direction of the Holders of at least 25% in aggregate principal amount of Obligations Outstanding, shall appoint, one or more Persons approved by the Master Trustee and any Credit Facility Providers (which approval cannot be unreasonably withheld) either to act as co-trustee or co-trustees, jointly with the Master Trustee, or to act as separate trustee or separate trustees, and to vest in such person or persons, in such capacity, such rights, powers, duties, trusts or obligations as the Master Trustee may consider necessary or desirable, subject to the remaining provisions of this Section. If no Event of Default shall have occurred and be continuing, or no event has occurred or is continuing that, after notice or passage of time or both, would become an Event of Default, any co-trustee or separate trustee appointed pursuant to this Section shall be subject to the written approval of the Obligated Group, evidenced by an instrument in writing signed by the Obligated Group Representative.

Every co-trustee or separate trustee shall, to the extent permitted by law but to such extent only, be appointed subject to the following terms, namely:

(a) The Obligations shall be authenticated and delivered solely by the Master Trustee.

(b) All rights, powers, trusts, duties and obligations conferred or imposed upon the trustees shall be conferred or imposed upon and exercised or performed by the Master Trustee, or separate trustee or separate trustees jointly, as shall be provided in the instrument appointing such co-trustee or co-trustees or separate trustee or separate trustees, except to the extent that, under the law of any jurisdiction in which any particular act or acts are to be performed, the Master Trustee shall be incompetent or unqualified to perform such act or acts, in which event such act or acts shall be performed by such co-trustee or co-trustees or separate trustee or separate trustees.

(c) Any request in writing by the Master Trustee to any co-trustee or separate trustee to take or to refrain from taking any action hereunder shall be sufficient warrant for the taking, or the refraining from taking, of such action by such co-trustee or separate trustee.

(d) Any co-trustee or separate trustee may, to the extent permitted by law, delegate to the Master Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise.

(e) The Master Trustee at any time, by any instrument in writing, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section. Upon the request of the Master Trustee, the Members of the Obligated Group shall join with the Master Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal.

(f) No trustee or any paying agent hereunder shall be personally liable by reason of any act or omission of any other trustee or paying agent hereunder, nor will the act or omission of any trustee or paying agent hereunder be imputed to any other trustee or paying agent.

(g) Any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing delivered to the Master Trustee shall be deemed to have been delivered to each such co-trustee or separate trustee.

(h) Any moneys, papers, securities or other items of personal property received by any such co-trustee or separate trustee hereunder shall forthwith, so far as may be permitted by law, be turned over to the Master Trustee.

Upon the acceptance in writing of such appointment by any such co-trustee or separate trustee, it or he shall be vested with such rights, powers, duties or obligations, as shall be specified in the instrument of appointment jointly with the Master Trustee (except insofar as local law makes it necessary for any such co-trustee or separate trustee to act alone) subject to all the terms hereof. Every such acceptance shall be filed with the Master Trustee. To the extent

permitted by law, any co-trustee or separate trustee may, at any time by an instrument in writing, constitute the Master Trustee its or his attorney-in-fact and agent, with full power and authority to perform all acts and things and to exercise all discretion on its or his behalf and in its or his name.

In case any co-trustee or separate trustee shall die, become incapable of acting, resign or be removed, all rights, powers, trusts, duties and obligations of said co-trustee or separate trustee shall, so far as permitted by law, vest in and be exercised by the Master Trustee unless and until a successor co-trustee or separate trustee shall be appointed in the manner herein provided.

**Section 5.8 DISCLOSURE.** At the direction of the Obligated Group Representative, the Master Trustee is authorized to disclose to a central repository of information and data regarding municipal bond issues such material as shall be required to be disclosed in accordance with applicable regulations and guidelines regarding such disclosure, including without limitation the American Bankers Association Corporate Trust Disclosure Guidelines for Trustees, and the Members of the Obligated Group shall in connection with directing any such disclosure pay the reasonable compensation and expenses of the Master Trustee incurred in connection with such disclosure and shall provide the Master Trustee with such indemnification as shall be reasonably satisfactory to the Master Trustee.

## ARTICLE VI SUPPLEMENTS AND AMENDMENTS

### Section 6.1 SUPPLEMENTS NOT REQUIRING CONSENT OF HOLDERS.

Each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee may, without the consent of or notice to any of the Holders, enter into one or more Supplements for one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission herein which shall not materially and adversely affect the interests of the Holders.
- (b) To correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising hereunder and which shall not materially and adversely affect the interests of the Holders.
- (c) To grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them subject to the provisions of Section 6.2(a).
- (d) To qualify this Master Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect.
- (e) To create and provide for the issuance of indebtedness as permitted hereunder.

(f) To obligate a successor to any Member of the Obligated Group or any additional Member of the Obligated Group as provided in Section 3.11.

(g) To comply with the provisions of any federal or state securities law.

(h) To make any changes necessitated by changes in generally accepted accounting principles which shall not materially and adversely affect the interests of the Holders.

(i) So long as no Event of Default has occurred and is continuing under this Master Indenture and so long as no event which with notice or the passage of time or both would become an Event of Default under this Master Indenture has occurred and is continuing, to make any change to the provisions of this Master Indenture (except as set forth below) if the following conditions are met:

(i) the Obligated Group Representative delivers to the Master Trustee prior to the date such amendment is to take effect either (A) a Consultant's report to the effect that the proposed amendment is consistent with then current industry standards for comparable institutions; or (B) evidence satisfactory to the Master Trustee to the effect that the Obligated Group has delivered, respectively, to each trustee for any outstanding Obligation which is not pledged to secure Related Indebtedness and each holder of an outstanding Obligation which is not pledged to secure Related Indebtedness and with respect to which there is no trustee (in each case which Related Indebtedness or Obligation is not already entitled to the benefit of credit enhancement of the types hereinafter described), a surety bond insurance policy, letter of credit or other form of credit enhancement from a financial institution generally regarded as responsible (in each case which is irrevocable and will remain in full force and effect for the entire period of time each such Related Indebtedness or Obligation, as the case may be, remains outstanding or remains in place before a mandatory tender of the Related Indebtedness and provides for payment in full of principal and interest on such Related Indebtedness or Obligation when due) and with evidence satisfactory to the Master Trustee from each Rating Agency then rating each such Related Indebtedness and Obligation that, on the date the proposed change is to take effect, each such Related Indebtedness and Obligation rated by such Rating Agency will be rated based on such credit enhancement not lower than the rating applicable to such Related Indebtedness or Obligation on the day prior to the effective date of such change;

(ii) if any Series of Obligations or Related Indebtedness are rated based on credit enhancement of such Obligations or Related Indebtedness Related Indebtedness (whether in the form of a letter of credit, surety bond or otherwise) and not on the underlying credit of the Obligated Group, the Obligated Group Representative delivers to the Master Trustee prior to the date such amendment is to take effect the written consent of the issuer of such credit enhancement to such amendment of modification; and

(iii) with respect to each outstanding Related Indebtedness, an Opinion of Bond Counsel (which counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are not unacceptable to the Master Trustee) to the effect that the proposed change will not adversely affect the validity of any Related Indebtedness or any exclusion from gross income for federal income taxation purposes of interest payable thereon to which such Related Indebtedness would otherwise be entitled;

provided, however, that no amendment shall be made pursuant to this clause (i) which would have the effect, directly or indirectly, of changing the definitions of Affiliate, Audited Financial Statements, Book Value, Property, Plant and Equipment or (3) Sections 3.1, 3.2(a), 3.4, 3.5, 3.6 (other than to add additional restrictions on the issuance of Additional Indebtedness), of this Master Indenture.

#### **Section 6.2 SUPPLEMENTS REQUIRING CONSENT OF HOLDERS.**

(a) Other than Supplements referred to in Section 6.1 hereof and subject to the terms and provisions and limitations contained in this Article, Section 8.4 hereof and not otherwise, the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding shall have the right, from time to time, anything contained herein to the contrary notwithstanding, to consent to and approve the execution by each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its governing Body, and the Trustee of such Supplements as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein; provided, however, nothing in this Section shall permit or be construed as permitting a Supplement which would:

(i) Effect a change in the times, amounts or currency of payment of the principal of, premium, if any, and interest or any other payment on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of the Holder of such Obligation;

(ii) Permit the preference or priority of any Obligation over any other Obligation, without the consent of the Holders of all Obligations then Outstanding; or

(iii) Reduce the aggregate principal amount of Obligations then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Obligations then Outstanding.

(b) If at any time each Member of the Obligated Group shall request the Master Trustee to enter into a Supplement pursuant to this Section, which request is accompanied by a copy of the resolution or other action of its Governing Body certified by its secretary (or assistant secretary) or if it has no secretary, its comparable officer, and the proposed Supplement and if the Master Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of

Obligations specified in subsection 6.2(a) for the Supplement in question which instrument or instruments shall refer to the proposed Supplement and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof as on file with the Master Trustee, thereupon, but not otherwise, the Master Trustee may execute such Supplement in substantially such form, without liability or responsibility to any Holder, whether or not such Holder shall have consented thereto.

(c) Any such consent shall be binding upon the Holder giving such consent and upon any subsequent Holder of such Obligation and of any Obligation issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof). At any time after the Holders of the required principal amount or number of Obligations shall have filed their consents to the Supplement, the Master Trustee shall make and file with each Member of the Obligated Group a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(d) If the Holders of the required principal amount of the Obligations Outstanding shall have consented to and approved the execution of such Supplement as herein provided, no Holder shall have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Master Trustee or any Member of the Obligated Group from executing the same or from taking any action pursuant to the provisions thereof.

#### **Section 6.3 EXECUTION AND EFFECT OF SUPPLEMENTS.**

(a) In executing any Supplement permitted by this Article, the Master Trustee shall be entitled to receive and to rely upon an Opinion of Counsel stating that the execution of such Supplement is authorized or permitted hereby, complies with the terms hereof and will not adversely affect the exclusion from gross income for federal income tax purposes of interest payable on any Related Indebtedness, the interest on which is not includable in gross income for federal income tax purposes. The Master Trustee may but shall not be obligated to enter into any such Supplement which affects the Master Trustee's own rights, duties or immunities.

(b) Upon the execution and delivery of any Supplement in accordance with this Article, the provisions hereof shall be modified in accordance therewith and such Supplement shall form a part hereof for all purposes and every Holder of an Obligation theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

(c) Any Obligation authenticated and delivered after the execution and delivery of any Supplement in accordance with this Article may, and if required by the issuer of such Obligation or the Master Trustee shall, bear a notation in form approved by the Master Trustee as to any matter provided for in such Supplement. If the issuer of any Series of Obligations then Outstanding or the Master Trustee shall so determine, new Obligations so modified as to conform in the opinion of the Master Trustee and the Governing Body of such issuer to any

such Supplement may be prepared and executed by the issuer and authenticated and delivered by the Master Trustee in exchange for and upon surrender of Obligations then Outstanding.

## **ARTICLE VII SATISFACTION AND DISCHARGE OF INDENTURE**

**Section 7.1 SATISFACTION AND DISCHARGE OF INDENTURE.** If (i) the Obligated Group Representative shall deliver to the Master Trustee for cancellation all Obligations theretofore authenticated (other than any Obligations which shall have been mutilated, destroyed, lost or stolen and which shall have been replaced or paid as provided in the Supplement) and not theretofore cancelled, or (ii) all Obligations not theretofore cancelled or delivered to the Master Trustee for cancellation shall have become due and payable and money sufficient to pay the same shall have been deposited with the Master Trustee, or (iii) all Obligations that have not become due and payable and have not been cancelled or delivered to the Master Trustee for cancellation shall be Defeased Obligations, and if in all cases the Members of the Obligated Group shall also pay or cause to be paid all other sums payable hereunder by the Members of the Obligated Group or any thereof, then this Master Indenture shall cease to be of further effect, and the Master Trustee, on demand of the Members of the Obligated Group and at the cost and expense of the Members of the Obligated Group, shall execute proper instruments acknowledging satisfaction of and discharging this Master Indenture. Each Member of the Obligated Group, respectively, hereby agrees to reimburse the Master Trustee for any costs or expenses theretofore and thereafter reasonably and properly incurred by the Master Trustee in connection with this Master Indenture or such Obligations.

**Section 7.2 PAYMENT OF OBLIGATIONS AFTER DISCHARGE OF LIEN.** Notwithstanding the discharge of the lien hereof as in this Article provided, the Master Trustee shall nevertheless retain such rights, powers and duties hereunder as may be necessary and convenient for the payment of amounts due or to become due on the Obligations and the registration, transfer, exchange and replacement of Obligations as provided herein.

Nevertheless, any moneys held by the Master Trustee or any paying agent for the payment of the principal of, premium, if any, interest or other payments on any Obligation remaining unclaimed for five years after the principal of all Obligations has become due and payable, whether at maturity or upon proceedings for redemption or by declaration as provided herein, shall then be paid to the Members of the Obligated Group, as their interests may appear, and the Holders of any Obligations not theretofore presented for payment shall thereafter be entitled to look only to the Members of the Obligated Group for payment thereof as unsecured creditors and all liability of the Master Trustee with respect to such moneys shall thereupon cease.

## **ARTICLE VIII CONCERNING THE HOLDERS**

### **Section 8.1 EVIDENCE OF ACTS OF HOLDERS.**

(a) In the event that any request, direction or consent is requested or permitted hereunder of the Holders, (i) the registered owners of Related Indebtedness then outstanding shall be deemed to be such Holders for the purpose of any such request, direction or consent in the proportion that the aggregate principal amount of Related Indebtedness then outstanding held by each such owner of Related Indebtedness bears to the aggregate principal amount of all Related Indebtedness then outstanding, subject in all respects to Section 8.4 hereof, and (ii) the principal amount of any Obligation that evidences and secures Derivative Obligations shall be deemed to be zero and such Obligation shall be disregarded for purposes of any request, direction or consent of the Holders requested or permitted hereunder unless the related Derivative Agreement has terminated, in which case the principal amount of such Obligation shall be deemed to be the amount of any termination payment owed to the Holder of such Obligation as certified by such Holder in writing to the Master Trustee; provided, however, that no Supplement that would alter the priority of such Obligation with respect to the Revenues or application of moneys under Section 4.4 shall be permitted without the consent of the Holder of such Obligation.

(b) As to any request, direction, consent or other instrument provided hereby to be signed and executed by the Holders, such action may be in any number of concurrent writings, shall be of similar tenor, and may be signed or executed by such Holders in person or by agent appointed in writing. In connection with the initial offering and sale of Related Indebtedness, the underwriters (or their representative) of such Related Indebtedness shall be deemed to be the initial Holders thereof or, if such Related Indebtedness so provide, may be appointed as attorney-in-fact by the initial purchasers of such Related Indebtedness for the purpose of consenting to any request, direction, consent or other instrument to be signed and executed by the Holders.

(c) Proof of the execution of any such request, direction, consent or other instrument or of the writing appointing any such agent and of the ownership of Obligations, if made in the following manner, shall be sufficient for any of the purposes hereof and shall be conclusive in favor of the Master Trustee and the Members of the Obligated Group, with regard to any action taken by them, or either of them, under such request, direction or consent or other instrument, namely:

(i) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments in such jurisdiction, that the person signing such writing acknowledged before him the execution thereof, or by the affidavit of a witness of such execution; and

(ii) The ownership of Related Indebtedness may be proved by the registration books for such Related Indebtedness maintained pursuant to the Related Agreement.

(d) Nothing in this Section shall be construed as limiting the Master Trustee to the proof herein specified, it being intended that the Master Trustee may accept any other evidence of the matters herein stated which it may deem sufficient.

(e) Any action taken or suffered by the Master Trustee pursuant to any provision hereof upon the request or direction or with the assent of any person who at the time is the Holder of any Obligation, shall be conclusive and binding upon all future Holders of the same Obligation.

(f) In the event that any request, direction or consent is requested, directed or permitted hereunder of the Holders of an Obligation that constitutes a guaranty, for purposes of any such request, direction or consent, the principal amount of such guaranty shall be ignored.

**Section 8.2 OBLIGATIONS OR RELATED INDEBTEDNESS OWNED BY MEMBERS OF OBLIGATED GROUP.** In determining whether the Holders of the requisite aggregate principal amount of Obligations have concurred in any demand direction, request, notice, consent, waiver or other action under this Master Indenture, Obligations or Related Indebtedness that are owned by any Member of the Obligated Group or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with such Member shall be disregarded and deemed not to be Outstanding or outstanding under the Related Agreement, as the case may be, for the purpose of any such determination; provided that for the purposes of determining whether the Master Trustee shall be protected in relying on any such direction, consent or waiver, only such Obligations or Related Indebtedness which the Master Trustee has actual notice or knowledge are so owned shall be so disregarded and deemed not to be outstanding. Obligations or Related Indebtedness so owned that have been pledged in good faith may be regarded as Outstanding or outstanding under the Related Agreement, as the case may be, for purposes of this Section, if the pledgee shall establish to the satisfaction of the Master Trustee the pledgee's right to vote such Obligations or Related Indebtedness and that the pledgee is not a person directly or indirectly controlling or controlled by or under direct or indirect common control with any Member of the Obligated Group. In case of a dispute as to such right, any decision by the Master Trustee taken upon the advice of counsel shall be full protection to the Master Trustee.

**Section 8.3 INSTRUMENTS EXECUTED BY HOLDERS BIND FUTURE HOLDER.** At any time prior to (but not after) the Master Trustee takes action in reliance upon evidence, as provided in Section 8.1 hereof, of the taking of any action by the Holders of the percentage in aggregate principal amount of Obligations specified herein in connection with such action, any Holder of such an Obligation or Related Indebtedness that is shown by such evidence to be included in Obligations the Holders of which have consented to such action may, by filing written notice with the Master Trustee and upon proof of holding as provided in Section 8.1, revoke such action so far as concerns such Obligation or Related Indebtedness. Except upon such revocation any such action taken by the Holder of an Obligation or Related Indebtedness in any direction, demand, request, waiver, consent, vote or other action of the Holder of such Obligation or Related Indebtedness which by any provision hereof is required or permitted to be given shall be conclusive and binding upon such Holder and upon all future

Holders and owners of such Obligation or Related Indebtedness, and of any Obligation or Related Indebtedness issued in lieu thereof, whether or not any notation in regard thereto is made upon such Obligation or Related Indebtedness. Any action taken by the Holders of the percentage in aggregate principal amount of Obligations specified herein in connection with such action shall be conclusively binding upon each Member of the Obligated Group, the Master Trustee and the Holders of all of such Obligations or Related Indebtedness.

#### **Section 8.4 RIGHTS OF CREDIT FACILITY PROVIDERS.**

Notwithstanding anything in this Master Indenture to the contrary, in the event that a Credit Facility is in full force and effect as to any Series of Related Indebtedness, the Credit Facility Provider is rated at least an investment grade rating and is not insolvent and no default of the Credit Facility exists on the part of the Credit Facility Provider, then said Credit Facility Provider(s), in place of the owner of the Obligations to which such Related Indebtedness relate shall have the power and authority to give any written consents and exercise any and all other rights which the owner of that Obligation would otherwise have the power and authority to make, give or exercise, including, but not limited to, the exercise of remedies provided in Article IV and the giving of written consents to Supplements when required by Section 6.2, and such consent shall be deemed to also constitute the consent of the owners of all of those Related Indebtedness which are secured by such Credit Facility; provided however that if any portion of such Related Indebtedness is secured by a Credit Facility that is also secured by a separate Obligation issued hereunder, the principal amount of the Obligation that secures the Related Indebtedness deemed outstanding for purposes of any such request, direction or consent shall be reduced by the amount of Related Indebtedness that are secured by such Credit Facility for the purpose of any such request, direction or consent.

Notwithstanding anything herein to the contrary, all beneficial owners of registered Related Indebtedness not secured by such Credit Facility which are adversely affected by any amendments or supplements under Section 6.2 of this Master Indenture shall be required to join with the Credit Facility Provider in consent to such amendments or supplements.

The Authorized Representative or the Obligated Group Representative may execute and deliver any contracts or agreements with Credit Facility Providers to carry out the provisions hereof or to clarify the rights of such Credit Facility Provider with respect to any Related Indebtedness.

#### **ARTICLE IX MISCELLANEOUS PROVISIONS**

**Section 9.1 LIMITATION OF RIGHTS.** With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Master Indenture or the Obligations issued hereunder is intended or shall be construed to give to any Person other than each Member of the Obligated Group, the Master Trustee, and the Holders hereunder any legal or equitable right, remedy or claim under or in respect to this Master Indenture or any covenants, conditions and provisions herein contained; this Master Indenture



and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties mentioned in this Section.

**Section 9.2 SEVERABILITY.** If any one or more sections, clauses, sentences or parts hereof shall for any reason be questioned in any court of competent jurisdiction and shall be adjudged invalid or unenforceable, such judgment shall not affect, impair or invalidate the remaining provisions hereof, or the Obligations issued pursuant hereto, but shall be confined to the specific sections, clauses, sentences and parts so adjudged.

**Section 9.3 HOLIDAYS.** Except to the extent a Supplement or an Obligation provides otherwise:

(a) Subject to subsection (b) of this Section 9.3, when any action is provided herein to be done on a day or within a time period named, and the day or the last day of the period falls on a Saturday or Sunday or a day on which the Corporate Trust Office is lawfully closed, the action may be done on the next ensuing day which is not such a day.

(b) When the date on which principal of or interest or premium on any Obligation is due and payable is a Saturday or Sunday or a day on which banking institutions at the place of payment are authorized by law to remain closed, payment may be made on the next ensuing day which is not such a day with the same effect as though payment were made on the due date, and, if such payment is made, no interest shall accrue from and after such due date.

**Section 9.4 GOVERNING LAW.** This Master Indenture and any Obligations issued hereunder are contracts made under the laws of the State of Florida and shall be governed by and construed in accordance with such laws.

**Section 9.5 COUNTERPARTS.** This Master Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

**Section 9.6 IMMUNITY OF INDIVIDUALS.** No recourse shall be had for the payment of the principal of, premium, if any, or interest on any Obligations issued hereunder or for any claim based thereon or upon any obligation, covenant or agreement herein against any past, present or future officer, member, employee or agent of any Member of the Obligated Group, and all such liability of any such individual as such is hereby expressly waived and released as a condition of and in consideration for the execution hereof and the issuance of Obligations issued hereunder.

**Section 9.7 BINDING EFFECT.** This instrument shall inure to the benefit of and shall be binding upon each Member of the Obligated Group, the Master Trustee and their respective successors and assigns subject to the limitations contained herein.

**Section 9.8 NOTICES.**

(a) Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be deemed sufficiently given or served if given in writing, mailed by first class mail, postage prepaid and addressed as follows:

(i) If to any Member of the Obligated Group, addressed to Saint Leo University at its principal place of business, which on the date hereof is 33701 SR 52, Saint Leo, Florida 33574, Attention: Chief Financial Officer;

(ii) If to the Master Trustee, addressed to U.S. Bank National Association, 225 E. Robinson Street, Suite 250, Orlando, Florida 32801, Attention: Global Corporate Trust; or

(iii) If to any registered Holder, addressed to such Holder at the address shown on the books of the Master Trustee kept pursuant hereto.

(b) Any Member of the Obligated Group or the Master Trustee may from time to time by notice in writing to the other and to the registered Holders designate a different address or addresses for notice hereunder.

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IN WITNESS WHEREOF, Saint Leo University has caused these presents to be signed in its name and on its behalf and attested by duly authorized officers and to evidence its acceptance of the trusts hereby created, U.S. Bank National Association has caused these presents to be signed in its name and on its behalf by its duly authorized officer, all of as of the day and year first above written.

**SAINT LEO UNIVERSITY INCORPORATED**

(SEAL)

By: \_\_\_\_\_  
Name: John Nisbet  
Title: Vice President, Business Affairs

ATTEST:

By: \_\_\_\_\_  
Name: James DeTuccio  
Title: Vice President of Finance

**U.S. BANK NATIONAL ASSOCIATION,**  
as Master Trustee

By: \_\_\_\_\_  
Title: Vice President

#55746298\_v18  
124484-3

**ANNEX A**

**Real Property Description**

**CAMPUS PROPERTY**

Parcel 1:

Begin at the NE corner of the SE 1/4 of Section 1, Township 25 South, Range 20 East, thence run West 1,128.09 Feet, thence North 65° 10' West 373.65 Feet, thence North 43° 54' West 393.89 Feet, thence South 1° 46' West 1,772.35 Feet, thence East 1,796.66 Feet to Southeast corner of NE 1/4 of the SE 1/4, thence North 1,328.60 Feet to the point of beginning. Lying North of SR No. 52, containing 54.80 acres;

Together with:

Parcel 2:

A portion of Section 1, Township 25 South, Range 20 East, and a portion of Section 6, Township 25 South, Range 21 East, Pasco County, Florida, being described as:

Beginning at the Southeast corner of the Northeast 1/4 of said Section 1; thence along the South line thereof, run South 89°54'30" West, 1,28.09 feet; thence North 65°15'30" West, 373.65 feet to a point on the Southwest line of the Northeast diagonal half of the Southwest 1/4 of the Northeast 1/4 of said Section 1; thence along said line North 43°59'30" West, 776.60 feet; thence South 89°43'00" East, 3,347. 13 feet; thence South 0°16'45" West, 1,979.16 feet to the North right-of-way line of State Road 52, thence along said line, South 89°45'14" West, 1,336.90 feet to the West line of the Southwest 1/4 of said Section 6; thence along said line North 0°16'45" East, 1,288.15 feet to the Point of Beginning.

Parcel 3:

A portion of the Southwest 1/4 of Section 6, Township 25 South, Range 21 East, Pasco County, Florida, described as:

Commence at the Northwest corner of the Southwest 1/4 of said Section 6; thence along the West line of said Southwest 1/4, run South 00°16'45" West, 1,288.15 feet to the North right-of-way line of State Road 52; thence along said line North 89°45' 14" East, 1,336.90 feet for a Point of Beginning; thence leaving said right-of-way line, North 00°16'45" East, 915.0 feet; thence North 89°45'14" East, 781.61 feet, thence South 00°14'46 East, 915.0 feet to the aforesaid right-of-way line; thence along said line South 89°45'14" West, 790.0 feet to the Point of Beginning.

Parcel 4:

A portion of Section 1, Township 25 South, Range 20 East, and a portion of Section 6, Township 25 South, Range 21 East, Pasco County, Florida described as:

Commencing at the Southeast corner of the Northeast 1/4 of said Section 1; thence along the South line thereof, run South 89°54'30" West, 1,128.09 feet; thence North 65°15'30" West, 373.65 feet to a point on the Southwest line of the Northeast diagonal half of the Southwest 1/4 of the Northeast 1/4 of said Section 1; thence along said line North 43°59'30" West, 776.60 or a Point of Beginning; thence continue North 43°59'30" West, 222.13 feet; thence South 89°43'00" East, 3,502.18 feet; thence South 0°16'45" West, 159.0 feet; thence North 89°43'00" West, 3,347.13 feet to the Point of Beginning.

Less and Except from Parcels 2, 3 and 4 the land conveyed by the Warranty Deed recorded in Official Records Book 3871, Page 1185, public records of Pasco County, Florida, described as follows:

Commence at the Northwest corner of the Southwest 1/4 of Section 6, Township 25 South, Range 21 East, Pasco County, Florida; thence South 00°16'45" West, along the West boundary by thereof, a distance of 1,288.15 feet to point on the North right-of-way line of County Road 52 (formerly State Road 52); thence North 89°45'14" East, along said right-of-way line, a distance of 1,726.90 feet for a Point of Beginning; thence continue along said right-of-way line North 89°45'14" East, a distance of 400.00 feet; thence departing said right-of-way line North 00°14'46" West, a distance of 915.00 feet; thence South 89°45'14" West, a distance of 781.61 feet; thence North 00°16'45" East, a distance of 1,223.16 feet; thence North 89°43'00" West, a distance of 1,336.84 feet more or less to a point on the West Boundary of the Northwest 1/4 of said Section 6; thence continue North 89°43'00" West, a distance of 300.00 feet; thence South 00°16'45" West, parallel with the Northwest 1/4 of said Section 6, a distance of 400.00 feet; thence South 89°43'00" East a distance of 1,236.84 feet; thence South 00°16'45" West, a distance of 1,226.87 feet; thence North 89°45'14" East, a distance of 785.29 feet; thence South 00°14'46" East, a distance of 515.00 feet to the Point of Beginning.

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FIRST SUPPLEMENTAL  
MASTER TRUST INDENTURE

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SAINT LEO UNIVERSITY INCORPORATED  
and  
Certain Other Persons Referred to  
Herein as "Members of the Obligated Group"

AND

U.S. BANK NATIONAL ASSOCIATION,  
as MASTER TRUSTEE

DATED AS OF MAY 1, 2019

Authorizing the Issuance of:

Master Note No. 1

**FIRST SUPPLEMENTAL  
MASTER TRUST INDENTURE**

**THIS FIRST SUPPLEMENTAL MASTER TRUST INDENTURE**, made and entered into as of May 1, 2019, by and between SAINT LEO UNIVERSITY INCORPORATED, an institution of higher education and a not-for-profit corporation organized under the laws of the State of Florida (the "University"), each of the other Members of the Obligated Group (collectively, with the University, the "Obligated Group") and U.S. BANK NATIONAL ASSOCIATION, a national banking association duly qualified to accept and administer the trusts created hereby, as trustee (in such capacity, the "Master Trustee").

**WHEREAS**, the parties hereto have heretofore executed and delivered a Master Trust Indenture (Security Agreement) dated as of May 1, 2019 (as supplemented and amended, the "Master Trust Indenture"); and

**WHEREAS**, the Master Trust Indenture provides for the issuance by any Members of the Obligated Group (which capitalized terms and all other capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Master Trust Indenture) of Obligations thereunder upon such Member or Members of the Obligated Group and the Master Trustee entering into a Supplemental Master Trust Indenture to the Master Trust Indenture authorizing the creation of such Obligations; and

**WHEREAS**, the Members of the Obligated Group have not previously issued any Obligations; and

**WHEREAS**, for the purpose of refinancing certain educational facilities on behalf of the University through the refunding of the Higher Educational Facilities Financing Authority Revenue Refunding Bonds (Saint Leo University Project), Series 2012A and 2012B issued by the Higher Educational Facilities Financing Authority (the "Authority"), and for the purpose of financing other educational facilities on behalf of the University, the Authority is, concurrently with the execution and delivery hereof, issuing \$68,935,000 in aggregate principal amount of its Educational Facilities Revenue and Refunding Revenue Bonds (Saint Leo University Project), Series 2019 (the "2019 Bonds"), under and pursuant to the terms and provisions of an Indenture of Trust dated as of May 1, 2019 (the "2019 Bond Indenture"), between the Authority and U.S. Bank National Association, as Bond Trustee (in such capacity (the "Bond Trustee")); and

**WHEREAS**, pursuant to a Loan Agreement dated as of May 1, 2019 (the "Loan Agreement"), between the University and the Authority, the proceeds of the 2019 Bonds will be loaned by the Authority to the University, and the University will agree to repay such loan in amounts and at times sufficient, among other things, to pay the principal, redemption premium, if any, and interest on, the 2019 Bonds; and

**WHEREAS**, the University, on behalf of itself and the other Members of the Obligated Group under the Master Trust Indenture, desires to issue and deliver Master Note No. 1 described herein to the Authority, which will assign its interest therein to the Bond Trustee under the 2019 Bond Indenture for the purpose of evidencing and securing its payment obligations under the Loan Agreement in respect of the principal, redemption premium, if any, and interest on, the 2019 Bonds; and

**WHEREAS**, all acts and things necessary to constitute this First Supplemental Master Trust Indenture a valid indenture and agreement according to its terms have been done and performed, and all conditions set forth in Section 2.6 of the Master Trust Indenture shall have been met prior to the issuance of Master Note No. 1, and the University has duly authorized the execution, issuance and delivery hereof and of Master Note No. 1 authorized to be issued hereunder;

**NOW, THEREFORE**, in consideration of the premises, of the acceptance by the Master Trustee of the trusts hereby created and of the giving of consideration for and acceptance of Master Note No. 1 authorized and created hereunder by the respective Holders thereof, and intending to be legally bound, the undersigned Obligated Issuer hereby covenants and agrees with the Master Trustee, for the benefit of the respective Holders from time to time of Master Note No. 1 authorized to be issued hereunder, as follows:

**SECTION 1. DEFINED TERMS.** Any terms which are used herein (including, without limitation, in the preamble hereto) but are not defined herein and are defined in the Master Trust Indenture shall have the same meaning herein as therein.

**SECTION 2. FORM OF MASTER NOTE NO. 1.** Master Note No. 1 shall be in substantially the following form:

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#### MASTER NOTE NO. 1

##### (Higher Educational Facilities Financing Authority)

No. 1	\$68,935,000
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This Note has not been registered under The Securities Act of 1933, as amended.

Saint Leo University Incorporated (the "University"), a not-for-profit corporation organized and existing under the laws of the State of Florida, on behalf of itself and all Members of the Obligated Group (as such term is defined in that certain Master Trust Indenture (Security Agreement) dated as of May 1, 2019 (as supplemented and amended, the "Master Trust Indenture"), among the University and the other Members of the Obligated Group and U.S. Bank National Association, as master trustee (in such capacity, the "Master Trustee")), for value received, hereby promises to pay to the order of the Higher Educational Facilities Financing Authority (the "Related Issuer"), or registered assigns, the principal sum of Sixty-Eight Million Nine Hundred Thirty-Five Thousand and no/100 Dollars (\$68,935,000) payable in installments on the dates and in the amounts set forth in that certain Indenture of Trust dated as of May 1, 2019 (the "Related Bond Indenture") between the Related Issuer and U.S. Bank National Association, as trustee (in such capacity, the "Related Bond Trustee"), and to pay interest on the unpaid balance of said sum from the date hereof at the rates, on the dates and in the amounts set forth in the Related Bond Indenture. The University, on behalf of itself and all Members of the Obligated Group, also agrees to timely pay any other amounts due from it pursuant to the terms of a Loan Agreement between the University and the Related Issuer dated as of May 1, 2019 (the

"Related Loan Agreement") and to pay any other amounts due from it pursuant to the terms of the Related Bond Indenture.

Principal hereof, interest hereon, any applicable prepayment premium, and any other amounts due hereunder are payable in any coin or currency of the United States of America which on the payment date is legal tender for the payment of public and private debts.

This Master Note No. 1 represents a duly authorized issue of Obligations of the University, on behalf of itself and all Members of the Obligated Group, limited to \$68,935,000 in principal amount, designated as "Master Note No. 1" issued under and pursuant to the First Supplemental Master Trust Indenture dated as of May 1, 2019 (the "First Supplemental Master Trust Indenture") supplementing the Master Trust Indenture. This Master Note No. 1 is payable on a parity with any other Obligations hereafter issued in accordance with the terms of the Master Trust Indenture and Outstanding thereunder. All terms used herein in capitalized form and not otherwise defined herein shall have the meanings ascribed thereto in the Master Trust Indenture.

This Master Note No. 1 is being issued for the purpose of evidencing and securing the obligation of the University, on behalf of itself and all Members of the Obligated Group, resulting from a loan of the proceeds derived from the issuance and sale by the Related Issuer of its Educational Facilities Revenue and Refunding Revenue Bonds (Saint Leo University Project), Series 2019 (the "Related Bonds"). The Related Bonds were issued under and pursuant to the laws of the State of Florida, particularly Part II, Chapter 243, Florida Statutes, and Part II, Chapter 159, Florida Statutes, and the Related Bond Indenture.

The principal of, premium, if any, and interest on this Master Note No. 1 and all amounts due hereunder are payable in immediately available funds deposited with or to the account of the Related Bond Trustee at or prior to the date the same shall become due and payable.

The University shall receive credit against payments due on this Master Note No. 1 as provided in the Related Loan Agreement.

Upon payment by the University, on behalf of itself and all Members of the Obligated Group, of a sum, in cash or obligations, or both, sufficient, together with any other cash and obligations held by the Related Bond Trustee and available for such purpose, to cause all outstanding Related Bonds to be deemed to have been paid within the meaning of Article IX of the Related Bond Indenture and to pay all other amounts referred to in Article IX of the Related Bond Indenture, accrued and to be accrued to the date of discharge of the Related Bond Indenture, this Master Note No. 1 shall be deemed to have been paid and to be no longer outstanding under the Master Trust Indenture.

Copies of the Master Trust Indenture are on file at the offices of the Master Trustee and reference is hereby made to the Master Trust Indenture for the provisions, among others, with respect to the nature and extent of the rights of the Holders of the Obligations issued under the Master Trust Indenture, the terms and conditions on which, and the purposes for which, the Obligations are and are to be issued, and the rights, duties and obligations of the Members of the Obligated Group and the Master Trustee under the Master Trust Indenture, to all of which the Holder hereof, by acceptance of this Master Note No. 1, assents.

The Master Trust Indenture permits the issuance of additional Obligations under the Master Trust Indenture, subject to the covenants made therein, all of which, regardless of the times of issue or maturity, are to be of equal rank for payment under the Master Trust Indenture without preference, priority or distinction under the Master Trust Indenture for payment of any Obligation of any series issued under the Master Trust Indenture over any other such Obligation except as expressly provided or permitted in the Master Trust Indenture.

To the extent permitted by and as provided in the Master Trust Indenture, modifications to or changes of the Master Trust Indenture, of any Supplement, and of the rights and obligations of the parties to it and of the Holders of the Obligations issued under the Master Trust Indenture may be made by the execution and delivery of a Supplement. Certain modifications or changes which would affect the rights of the Holders of this Master Note No. 1 may be made only with the consent of the Holders of not less than a majority in aggregate principal amount of the Obligations then Outstanding under the Master Trust Indenture. No such modification or change shall (i) effect a change in the times, amounts or currency of payment of the principal of, premium, if any, or interest on any Obligations issued under the Master Trust Indenture or a reduction in the principal amount or redemption price of any such Obligation or the rate of interest thereon without the consent of the Holder of such Obligation, (ii) permit the preference or priority of any Obligation over any other Obligation, without the consent of the Holders of all Obligations then Outstanding, or (iii) reduce the aggregate principal amount of Obligations then Outstanding the consent of the Holders of which is required to authorize such Supplement, without the consent of the Holders of all Obligations then Outstanding. Any such consent by the Holder of this Master Note No. 1 shall be conclusive and binding upon such Holder and all future Holders and owners hereof irrespective of whether any notation of such consent is made upon this Master Note No. 1.

In the manner and with the effects provided in the Master Trust Indenture, this Master Note No. 1 is prepayable prior to maturity to the extent, and with respect to the corresponding payments of principal, that the Related Bonds are subject to redemption in accordance with the terms of the Related Bond Indenture. Provision of a notice of prepayment or acceleration of the Related Bonds in accordance with the terms of the Related Bond Indenture shall, without further notice or action by the Master Trustee or Members of the Obligated Group, constitute notice of prepayment of corresponding amounts of principal on this Master Note No. 1 and the same shall, thereby, become due and payable on the date of payment of the Related Bonds and at a prepayment price equal to the principal and accrued interest and premium, if any, payable with respect to the Related Bonds.

This Master Note No. 1 shall constitute an Accelerable Obligation. Upon the occurrence of Events of Default (as defined in the Master Trust Indenture) the principal of this Master Note No. 1 issued under the Master Trust Indenture then outstanding may be declared, and thereupon shall become, due and payable but only as expressly provided in the Master Trust Indenture.

There shall be no right to enforce the provisions of the Master Trust Indenture, or to institute any action to enforce the covenants therein, or to take any action with respect to any default under the Master Trust Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto except as provided in the Master Trust Indenture.

As provided by the terms of the Master Trust Indenture, no recourse shall be had for the payment of the principal of, premium, if any, or interest on Master Note No. 1 for any claim based upon any obligation, covenant or agreement in the Master Trust Indenture against any past, present or future officer, employee or agent of the University or of any other Member of the Obligated Group.

This Master Note No. 1 shall not be entitled to any benefit under the Master Trust Indenture, or be valid or become obligatory for any purpose, until this Master Note No. 1 shall have been authenticated by execution by the Master Trustee, or its successor as Trustee, of the Authentication Certificate.

IN WITNESS WHEREOF, the University has caused this Master Note No. 1 to be executed in its name and on its behalf by the manual signature of its President and attested by the manual signature of its Secretary all as of May 16, 2019.

SAINT LEO UNIVERSITY INCORPORATED, on  
behalf of itself and on behalf of all Members of the  
Obligated Group

(SEAL)

By: \_\_\_\_\_  
Title: President

ATTEST:

By: \_\_\_\_\_  
Title: Secretary

#### MASTER TRUSTEE'S AUTHENTICATION CERTIFICATE

The undersigned Master Trustee hereby certifies that this Master Note No. 1 is one of the Obligations described in the within-mentioned Master Trust Indenture.

U.S. BANK NATIONAL ASSOCIATION, as  
Master Trustee

By: \_\_\_\_\_  
Authorized Signatory

## ASSIGNMENT

Pay to the order of U.S. Bank National Association, as Bond Trustee, without warranty and without recourse against the undersigned except warranty of good title, warranty that the Related Issuer has not assigned this Master Note No. 1 to a person or entity other than U.S. Bank National Association and warranty that this Master Note No. 1 remains unpaid on the date of this Assignment.

### HIGHER EDUCATIONAL FACILITIES FINANCING AUTHORITY

By: \_\_\_\_\_  
Chairman

\* \* \* \* \*

### SECTION 3. PRINCIPAL AMOUNT MATURITIES AND INTEREST RATES.

There is hereby authorized Master Note No. 1. Master Note No. 1 shall be dated, shall be in the principal amount, shall be subject to mandatory, optional and extraordinary redemption, shall mature and shall bear interest at the rates designated or referenced in the form thereof set forth herein. Master Note No. 1 shall be issuable as a registered Obligation without coupons and shall be executed, endorsed, assigned, authenticated and delivered in accordance with Article II of the Master Trust Indenture.

**SECTION 4. LIQUIDITY COVENANT.** The covenants to maintain, as of each Testing Date Available Assets to Long-Term Indebtedness at least equal to 40% ("Liquidity Requirement").

As used in this Section 4, the following capitalized terms shall have the meanings ascribed below:

"Available Assets" means the sum of all cash and cash equivalents, investments and assets held by trustees under bond indenture agreements, less all permanently restricted net assets of the University not available to pay debt service on Long-Term Indebtedness, all as shown on the audited financial statements of the University, determined in accordance with generally accepted accounting principles.

"Consultant" means a professional consulting, accounting, investment banking or commercial banking firm or individual selected by the Obligated Group Representative having the skill and experience necessary to render the particular report required and having a favorable reputation for such skill and experience, which firm or individual does not control any Member of the Obligated Group and is not controlled by or under common control with any Member of the Obligated Group.

"Testing Date" means the last day of each Fiscal Year of the University.

If on any Testing Date the Available Assets to Long-Term Indebtedness is less than the Liquidity Requirement the Obligated Group Representative shall, within 210 days after such Testing Date, deliver an Officer's Certificate approved by a resolution of the Governing Body of

the Obligated Group Representative to the Master Trustee setting forth in reasonable detail the reasons for such deficiency and adopting a specific plan setting forth steps to be taken designed to satisfy the Liquidity Requirement for future Testing Dates.

If the Obligated Group has not raised satisfied the Liquidity Requirement by the next Testing Date immediately subsequent to delivery of the Officer's Certificate required in the preceding paragraph, the Obligated Group Representative shall, within 30 days after receipt of the Officer's Certificate disclosing such deficiency, select a Consultant to make recommendations with respect to the rates, fees and charges of the Obligated Group and the Obligated Group's methods of operation and other factors affecting its financial condition in order to satisfy the Liquidity Requirement for future Testing Dates. A copy of the Consultant's report and recommendations, if any, shall be filed with the Master Trustee within 90 days after the date such Consultant is actually engaged. Each Member of the Obligated Group shall follow each recommendation of the Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of such Member) and permitted by law.

Notwithstanding any other provision of this Master Trust Indenture, failure of the Obligated Group to achieve the required Liquidity Requirement for any Testing Date shall not constitute an Event of Default under the Master Trust Indenture if the Obligated Group takes all action necessary to comply with the procedures set forth above for adopting a plan and follows each recommendation contained in such plan or Consultant's report to the extent feasible (as determined in the reasonable judgment of the Governing Body of such Member) and permitted by law.

**SECTION 5. DEBT SERVICE RESERVE FUND.** There is established with the Master Trustee in accordance with Section 3.13 of the Master Trust Indenture a Debt Service Reserve Fund (Saint Leo University Incorporated Master Note No. 1) (the "Debt Service Reserve Fund") and therein a Series 2019 Account. The Series 2019 Account shall secure Master Note No. 1 and any additional Obligations provided by a Supplement to be secured by the Series 2019 Account. The amount on deposit in the Series 2019 Account shall be equal to the Debt Service Reserve Fund Requirement with respect to Master Note No. 1 and any additional Obligations which are provided by a Supplement to be secured by the Series 2019 Account.

**SECTION 6. STATUS OF MASTER TRUST INDENTURE.** All the provisions, definitions, terms and conditions of the Master Trust Indenture are hereby ratified, approved and confirmed. All references to "this Indenture" in the Master Trust Indenture shall be to the Master Trust Indenture as supplemented by this First Supplemental Master Trust Indenture.

**SECTION 7. SEVERABILITY.** If any portion of this First Supplemental Master Trust Indenture shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever. The invalidity of any one or more phrases, sentences, clauses or sections in this First Supplemental Master Trust Indenture shall not affect the remaining portions of this First Supplemental Master Trust Indenture, or any part thereof.

**SECTION 8. EXECUTION IN COUNTERPARTS.** This First Supplemental Master Trust Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

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**IN WITNESS WHEREOF**, the University and the Master Trustee have caused this First Supplemental Master Trust Indenture to be executed all as of the day and year first above written.

**SAINT LEO UNIVERSITY INCORPORATED**,  
on behalf of itself and on behalf of all Members of  
the Obligated Group

By: \_\_\_\_\_  
Vice President, Business Affairs

ATTEST:

By: \_\_\_\_\_  
Vice President of Finance

**U.S. BANK NATIONAL ASSOCIATION**, as  
Master Trustee

By: \_\_\_\_\_  
Vice President

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## **APPENDIX D**

### **FORM OF BOND INDENTURE**

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# HIGHER EDUCATIONAL FACILITIES FINANCING AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION, as trustee

## INDENTURE OF TRUST

Dated as of May 1, 2019

AUTHORIZING THE ISSUANCE OF

**\$68,935,000**

**HIGHER EDUCATIONAL FACILITIES FINANCING AUTHORITY  
EDUCATIONAL FACILITIES REVENUE AND REVENUE REFUNDING BONDS  
(SAINT LEO UNIVERSITY PROJECT),  
SERIES 2019**

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## APPENDIX A - Form of Bond

## APPENDIX B – Form of Requisition

## SCHEDULE I – Capitalized Interest Application

## INDENTURE OF TRUST

**THIS INDENTURE OF TRUST**, dated as of May 1, 2019 and effective from the time of execution and delivery hereof (the "Indenture"), is by and between the **HIGHER EDUCATIONAL FACILITIES FINANCING AUTHORITY** (the "Issuer"), a public body corporate and politic of the State of Florida and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association duly organized, existing and authorized to accept and execute trusts of the character herein set out, under and by virtue of the laws of the United States of America, having its designated corporate trust office in Orlando, Florida, as trustee hereunder (together with successors and assigns, the "Trustee").

## RECITALS

The Issuer is authorized pursuant to the Higher Educational Facilities Financing Act, Part II, Chapter 243, Florida Statutes, as amended, Part II, Chapter 159, Florida Statutes, as amended (to the extent applicable), the Constitution of the State of Florida, and other applicable provisions of law (collectively, the "Enabling Act"), among other things, to issue its revenue bonds pursuant to the provisions of the Enabling Act for any corporate purpose, including for the purpose of lending the proceeds thereof to institutions of higher education, to finance or refinance the acquisition, construction, equipping or carrying out any "project" described in the Enabling Act; and, as security for the payment of the principal of, and the interest on, any such bonds so issued, to pledge the revenues from loans made by the Issuer.

The Issuer has authorized the issuance, sale and delivery of its \$68,935,000 Educational Facilities Revenue and Revenue Refunding Bonds (Saint Leo University Project), Series 2019 (the "Bonds"), the proceeds of which shall be loaned by the Issuer to Saint Leo University Incorporated, a not for profit corporation duly organized and existing under the laws of the State of Florida, an organization described in Section 501(c)(3) of the Code and an institution of higher education as defined in Section 243.52(6), Florida Statutes (the "Borrower"), in order to (i) finance and refinance (including through reimbursement) the costs of the acquisition, construction and equipping of the 2019 Project (as defined herein) and to refinance the obligations of the Borrower with respect to the Refunded Projects (as defined herein) to thereby refund the Refunded Bonds (as defined herein), the proceeds of which were loaned to the Borrower by the Issuer to finance and refinance the cost of the acquisition, construction and equipping of the Refunded Projects (as defined herein, and together with 2019 Project, the "Project"), (ii) capitalize interest on a portion of the Bonds, (iii) funding a debt service reserve fund, and (iv) and pay costs of issuance.

The Issuer has determined that issuing its revenue bonds and lending the proceeds thereof to the Borrower for such purposes described herein will further the public purposes for which it was created.

The Issuer has entered into a Loan Agreement with the Borrower of even date herewith (the "Loan Agreement") providing for the loan of the proceeds of the Bonds to the Borrower and providing the terms of the Borrower's payment obligations in respect thereof.

The Bonds and the premium, if any, and interest thereon, are limited obligations of the Issuer, the principal of, premium, if any, and interest on which, are payable solely from payments by the Borrower to the Issuer or the Trustee pursuant to the Loan Agreement.

The principal of, premium, if any, and interest on the Bonds and all other pecuniary obligations of the Issuer under the Loan Agreement, this Indenture or otherwise, in connection with the Bonds and the financing and refinancing of the Project, shall be payable by the Issuer solely from the loan payments and other revenues and proceeds received by the Issuer under the Loan Agreement, the proceeds of the Bonds and income from the temporary investment of the proceeds of the Bonds or such other revenue and proceeds as pledged for such payment under and as provided in this Indenture; neither the faith and credit of the Issuer, of the State of Florida or of any political subdivision thereof, nor the taxing power of the State of Florida or any political subdivision thereof is pledged to the payment of the Bonds issuable under this Indenture, and neither the State of Florida nor any political subdivision thereof shall ever be required or obligated to levy ad valorem taxes on any property within its territorial limits to pay the principal of, premium, if any, or interest on the Bonds or any other pecuniary obligations or to pay the same from any funds thereof other than such revenues, receipts and proceeds so pledged, and the Bonds shall not constitute a lien upon any property owned by the Issuer or the State of Florida or any political subdivision thereof, other than on the Issuer's interest in the Loan Agreement and the property rights, receipts, revenues and proceeds pledged therefor under and as provided in this Indenture.

To evidence and secure its payment obligations under the Loan Agreement, the Borrower is causing to be issued to the Issuer and assigned to the Trustee pursuant to the Master Trust Indenture (as hereinafter defined) Master Note No. 1 in the principal amount of \$68,935,000 (the "Series 2019 Note").

All things necessary to make the Bonds, when authenticated and issued as in this Indenture provided, the valid, binding and legal obligations of the Issuer according to the import thereof, and to constitute this Indenture a valid assignment and pledge of the Trust Estate (as hereinafter defined) have been done and performed, and the creation, execution and delivery of this Indenture, and the creation, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized.

## GRANTING CLAUSES

The Issuer, in consideration of the premises, of the acceptance by the Trustee of the trusts hereby created, of the purchase and acceptance of the Bonds by the owners thereof and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, in order to secure the payment of the principal and Redemption Price (as hereinafter defined) of and interest on the Bonds according to their tenor and effect and to secure the performance and observance by the Issuer of all the covenants expressed or implied herein and in the Bonds, does hereby grant, bargain, sell, convey, assign and pledge, and grant a security interest in, the following (collectively, the "Trust Estate") to the Trustee and its successors in trust and assigns forever, subject only to the provisions of this Indenture permitting the application thereof on the terms and conditions set forth in this Indenture:

#### GRANTING CLAUSE FIRST

All right, title and interest of the Issuer in and to the Loan Agreement (except for Reserved Rights), including, but not limited to, the present and continuing right to make claim for, collect, receive and receipt for any of the sums, amounts, income, revenues, issues and profits and any other sums of money payable or receivable under the Loan Agreement (except for such sums payable to the Issuer under its Reserved Rights), to bring actions and proceedings thereunder or for the enforcement thereof, and to do any and all things which the Issuer is or may become entitled to do under the Loan Agreement.

#### GRANTING CLAUSE SECOND

All right, title and interest of the Issuer in and to the Series 2019 Note (except for amounts payable thereunder to the Issuer under the Reserved Rights).

#### GRANTING CLAUSE THIRD

All right, title and interest of the Issuer in and to all moneys and securities from time to time held by the Trustee under the terms of this Indenture, other than moneys held in the Rebate Fund.

#### GRANTING CLAUSE FOURTH

Any and all other property rights and interests of every kind and nature from time to time hereafter by delivery or by writing of any kind granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, mortgaged, pledged, hypothecated or otherwise subjected hereto, as and for additional security herewith, by the Borrower or any other person on its behalf or with its written consent or by the Issuer or any other person on its behalf or with its written consent, and the Trustee is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

**TO HAVE AND TO HOLD** all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its successors and assigns forever in trust upon the terms and trusts herein set forth for the equal and ratable benefit, security and protection of all present and future owners of the Bonds from time to time issued under and secured by this Indenture, without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any other Bonds, except as otherwise expressly provided herein;

**PROVIDED, HOWEVER,** that notwithstanding the pledge and assignment made hereby, the Issuer shall retain its right to payment of its Administrative Expenditures and to indemnification and other Reserved Rights in accordance with the Loan Agreement; and

**PROVIDED FURTHER** that, if the Issuer shall well and truly pay, or cause to be paid, the principal or Redemption Price of and interest on all of the Bonds, according to the true intent and meaning thereof, or shall provide for the payment thereof as permitted by Article IX, and shall perform and observe all the covenants and conditions of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then upon

compliance with Article IX, the lien of this Indenture shall be discharged and satisfied; otherwise this Indenture to be and remain in full force and effect.

All Bonds issued hereunder are to be issued, authenticated and delivered and all such property, rights and interests, including (without limitation) the amounts hereby assigned and pledged, are to be dealt with and disposed of under, upon and subject to the terms and conditions expressed herein, and the Issuer has agreed and covenanted, and does hereby agree and covenant with the Trustee and with the respective owners of the Bonds as follows:

#### ARTICLE I DEFINITIONS AND RULES OF CONSTRUCTION

**Section 1.01 Definitions.** The terms used herein in capitalized form and not otherwise defined herein, including, without limitation, in the Recitals above, shall have the meanings set forth below:

**"Administrative Expenditures"** means the reasonable fees and expenses of the Trustee (whether as Trustee, paying agent or Registrar for the Bonds), the issuance fees of the Issuer and all other expenditures reasonably incurred by the Issuer or the Trustee by reason of the issuance of any Bonds, including (without limitation) legal, financing and administrative expenses and expenses incurred by the Issuer or the Trustee to compel full and punctual performance of the provisions of the Loan Agreement in accordance with the terms thereof and all indemnity obligations of the Borrower to the Issuer and/or the Trustee under the terms of the Borrower Documents or any thereof.

**"Authorized Officer"** means (i) when used with reference to the Issuer, the Chair, the Vice Chair, the Secretary and the Executive Director or any other authorized officer of the Issuer and, when used with reference to any act or document, also means any other person authorized by resolution of the Issuer to perform such act or execute such document; and (ii) when used with reference to the Borrower, the President and Chief Financial Officer of the Borrower and, when used with reference to any act or document, also means any other person authorized by resolution of the Board of Trustees or Executive Committee of the Board of Trustees of the Borrower to perform such act or execute such document.

**"Authorized Denomination"** means denominations of \$5,000 or any integral multiple of \$5,000 in excess thereof.

**"Bond Counsel"** means any attorney at law or firm of attorneys of nationally recognized experience in matters pertaining to the validity of, and exclusion from gross income for federal income tax purposes of interest on, the obligations of states and their political subdivisions, as may be selected by the Borrower but is reasonably acceptable to the Issuer.

**"Bondholder," "Holder," "holder" or "Owner"** or any similar term, when used with reference to a Bond, means the registered owner of a Bond.

**"Bonds"** means the Higher Educational Facilities Financing Authority Educational Facilities Revenue and Revenue Refunding Bonds (Saint Leo University Project), Series 2019, authorized by Section 2.01 of this Indenture.

**"Borrower"** means Saint Leo University Incorporated, an institution of higher education as defined in Section 243.52(6), Florida Statutes, a not-for-profit corporation duly organized and existing under the laws of the State of Florida and an organization described in Section 501(c)(3) of the Code, and its successors and assigns, collectively.

**"Borrower Documents"** means the Loan Agreement, the Master Trust Indenture, the Series 2019 Note, the Tax Compliance Agreement and the Continuing Disclosure Agreement.

**"Business Day"** means a day other than a Saturday, Sunday or legal holiday in Orlando, Florida.

**"Certificate," "Notice," "Opinion," "Order," "Request," "Requisition"** and **"Statement"** mean, respectively, a written certificate, notice, opinion, order, request, requisition or statement signed (i) when used with respect to the Borrower or the Issuer, by an Authorized Officer of the Borrower or the Issuer, as the case may be, and (ii) when used in respect to any other person, by an authorized officer thereof. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the instruments so combined shall be read and construed as a single instrument.

**"Code"** means the Internal Revenue Code of 1986, as amended from time to time, including, when appropriate, the statutory predecessor thereof, or any applicable corresponding provisions of any future laws of the United States of America relating to federal income taxation, and except as otherwise provided herein or required by the context hereof, includes interpretations thereof contained or set forth in the applicable Regulations of the Department of the Treasury (including applicable final or temporary regulations and also including Regulations issued pursuant to the statutory predecessor of the Code), the applicable rulings of the Internal Revenue Service (including published Revenue Rulings and private letter rulings), and applicable court decisions.

**"Completion Date"** means, when used with respect to the 2019 Project, the date of completion of the 2019 Project as certified by the Borrower in accordance with Section 4.03 of the Loan Agreement.

**"Continuing Disclosure Agreement"** means the Continuing Disclosure Agreement dated May 1, 2019 between Digital Assurance Certification, LLC and the Borrower.

**"Cost"** means the cost of construction, acquisition and equipping of all lands, structures, property (real or personal), rights, rights-of-way, franchises, easements and interests acquired by the Borrower for the 2019 Project; the cost of demolishing or removing any buildings or structures on land so acquired, including (without limitation) the cost of acquiring any lands to which such buildings or structures may be moved; the cost of all machinery and equipment, financing charges, interest prior to and during construction and for a period of up to eighteen months after completion of such construction, interest and reserves for principal and interest and for extensions, enlargements, additions and improvements; the cost of architectural, engineering, financial and legal services, plans, specifications, studies, surveys, estimates of cost and of revenues, and administrative expenses necessary or incidental to determining the feasibility or practicability of constructing the 2019 Project; and such other expenses as may be necessary or

incidental to the construction, acquisition and equipping of the 2019 Project, the financing or refinancing of such construction, acquisition and equipping and the placing of the 2019 Project in operation, and all other "costs" of a "project" as defined in the Enabling Act; provided, however, all "Costs" must qualify as "costs" as defined in the Enabling Act. The Trustee shall be fully protected in relying upon a requisition of the Borrower as sufficient proof that all items contained in the requisition are "costs" as defined in the Enabling Act.

**"Credit Facility"** means any liquidity facility, letter of credit, bond insurance policy, bond purchase agreement, guaranty, line of credit, surety bond or similar credit or liquidity facility securing any Bond.

**"Defeasance Obligations"** means (a) U.S. Treasury obligations and obligations guaranteed by the U.S. Government, including but not limited to: Treasury bills, bonds, notes, and STRIPS; Resolution Funding Corporation ("REFCORP") Interest STRIPS; and United States Agency for International Development ("US AID") guaranteed notes (including stripped securities) provided that any US AID security shall mature at least 5 business days prior to any cash flow or escrow requirement, and (b) non-callable senior debt obligations, participations, or other instruments issued or fully guaranteed by any U.S. Federal agency, instrumentality, corporation, or government-sponsored enterprise (GSE), including but not limited to: Fannie Mae, Freddie Mac, the Federal Home Loan Banks, the Federal Farm Credit System, Tennessee Valley Authority, and Resolution Funding Corporation. Interest and principal strips are eligible investments provided that the securities are stripped from non-callable senior debt obligations, participations, or other instruments as described above in this clause (b).

**"Enabling Act"** means the Higher Educational Facilities Financing Act, Part II, Chapter 243, Florida Statutes, as amended, Part II of Chapter 159, Florida Statutes, as amended (to the extent applicable), the Constitution of the State of Florida, as amended, and other applicable provisions of law.

**"Event of Default,"** means, unless the context otherwise requires, when used in or with respect to this Indenture, any event of default specified in Section 7.01 of this Indenture, and when used in or with respect to the Loan Agreement, any event of default specified in Section 6.01 of the Loan Agreement.

**"Favorable Opinion of Bond Counsel"** means, as determined appropriate by Bond Counsel, when used with respect to or in connection with any action or inaction, a written opinion of Bond Counsel either (a) to the effect that such action or inaction will not, in and of itself, adversely affect the excludability from gross income of interest paid on any Bond for federal income tax purposes, or (b) to the effect that the interest on the Bonds is excluded from gross income of the Holders thereof for purposes of federal income taxation.

**"Fitch"** means Fitch Ratings, Inc., a corporation organized and existing under the laws of the state of its organization, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Borrower by notice to the Trustee.

"GAAP" means as of any date on which GAAP is to be applied, those principles of accounting set forth in pronouncements of the Financial Accounting Standards Board, the American Institute of Certified Public Accountants or which have other substantial authoritative support and are applicable in the circumstances as of the date of a report, as such principles are from time to time supplemented and amended and in effect on the date of application, unless an election is made by the Borrower as permitted in the Master Trust Indenture to apply GAAP in effect on the date of the Master Trust Indenture.

"Gross Proceeds" shall have the meaning ascribed thereto in Section 4.09 hereof.

"Indebtedness" means any indebtedness or liability for borrowed money, any installment sale obligation or any obligation under any lease that is capitalized under GAAP.

"Interest Payment Date" means March 1 and September 1 of each year, commencing September 1, 2019.

"Issuance Costs" means all costs that are treated as issuance costs within the meaning of Section 1.150-1(b) of the Regulations, including, but not limited to, (a) Underwriter's spread (whether realized directly or derived through purchase of the Bonds at a discount below the price at which they are expected to be sold to the public); (b) counsel fees (including Bond Counsel, Underwriter's counsel, Issuer's counsel, Trustee's counsel and Borrower's counsel fees that relate to the issuance of the Bonds, as well as any other certain specialized counsel fees incurred in connection with the issuance of the Bonds); (c) financial advisory fees incurred in connection with the issuance of the Bonds; (d) Rating Agency fees; (e) Trustee fees incurred in connection with the issuance of the Bonds; (f) paying agent and registrar and authenticating agent fees related to issuance of the Bonds; (g) accountant fees and expenses related to the issuance of the Bonds; (h) printing costs of the Bonds and of the preliminary and final offering materials; (i) publication costs associated with the financing proceedings; (j) any fees paid to the Issuer; (k) costs of engineering and feasibility studies necessary to the issuance of the Bonds, and (l) any bond insurance premiums and credit enhancement fees; provided, that bond insurance premiums and certain credit enhancement fees, to the extent treated as interest expense under applicable income tax regulations, shall not be treated as "Issuance Costs."

"Issuer" means the Higher Educational Facilities Financing Authority, a public body corporate and politic of the State of Florida and its successors.

"Loan Agreement" means the Loan Agreement dated as of May 1, 2019 between the Issuer and the Borrower, as amended, modified or supplemented from time to time.

"Loan" means the loan made by the Issuer to the Borrower of the proceeds of sale of the Bonds.

"Master Trust Indenture" means the Master Trust Indenture (Security Agreement) dated as of May 1, 2019, as supplemented and amended, including, without limitation, as supplemented by the First Supplemental Master Trust Indenture, dated as of May 1, 2019, between the Borrower and the Master Trustee.

"Master Trustee" means U.S. Bank National Association, in its capacity as master trustee under the Master Trust Indenture, or any successor or assign.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the state of its organization, its successors and assigns, or if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Borrower by notice to the Trustee.

"Net Proceeds" means the proceeds of the Bonds reduced by amounts in a reasonably required reserve or replacement fund.

"Order" means a written direction or request of a Person.

"Outstanding," when used with reference to Bonds, means as of any particular date, all Bonds authenticated and delivered under this Indenture except (i) any Bond canceled by the Trustee (or delivered to the Trustee for cancellation) at or before such date, (ii) any Bond for the payment of the principal or Redemption Price of and interest on which provision shall have been made as provided in Section 9.01 hereof and (iii) any Bond in lieu of or in substitution for which a new Bond shall have been authenticated and delivered pursuant to Article II or Section 8.03 hereof.

"Permitted Investments" shall mean:

- 1) **U.S. Treasury & Government Guaranteed** - U.S. Treasury obligations, and obligations the principal and interest of which are backed or guaranteed by the full faith and credit of the U.S. Government, including but not limited to: Treasury bills, bonds, notes, and STRIPS; Resolution Funding Corporation ("REFCORP") Interest STRIPS; and United States Agency for International Development ("US AID") guaranteed notes (including stripped securities) provided that any US AID security shall mature at least 10 business days prior to any cash flow or escrow requirement.
- 2) **Federal Agency/GSE** - Debt obligations, participations or other instruments issued or fully guaranteed by any U.S. Federal agency, instrumentality, corporation, or government-sponsored enterprise (GSE), including but not limited to: Fannie Mae, Freddie Mac, the Federal Home Loan Banks, the Federal Farm Credit System, Tennessee Valley Authority, and REFCORP principal strips.
- 3) **Supranationals** - U.S. dollar denominated debt obligations of a multilateral organization of governments for which the United States government is a participant, shareholder, and/or voting member with minimum ratings of AA-/Aa3 (or the equivalent) or A-1/P-1 (or the equivalent) by any one rating agency, including but not limited to: the Inter-American Development Bank, International Bank for Reconstruction & Development, African Development Bank, Asian Development Bank, and the International Finance Corporation.
- 4) **Corporates and Other Debt Obligations** - U.S. dollar denominated corporate notes, bonds or other debt obligations issued or guaranteed by a U.S. or foreign corporation, financial institution, non-profit, or other entity with minimum ratings of A-/A3 (or the equivalent) or A-1/P-1 (or the equivalent) by any one rating agency.



- 5) **Municipals** – Obligations issued or guaranteed by any state, territory or possession of the United States, political subdivision, public corporation, authority, agency board, instrumentality or other unit of local government of any U.S. state or with minimum ratings of A-/A3 (or the equivalent) or SP-1/MIG 1 (or the equivalent) by any one rating agency.
- 6) **Agency Mortgage Backed Securities** - Mortgage-backed securities (MBS), backed by residential, multi-family or commercial mortgages, that are issued or fully guaranteed as to principal and interest by a U.S. Federal agency or government sponsored enterprise, including but not limited to pass-throughs, collateralized mortgage obligations (CMOs) and REMICs.
- 7) **Asset-Backed Securities** - Asset-backed securities (ABS) whose underlying collateral consists of loans, leases or receivables, including but not limited to auto loans/leases, credit card receivables, student loans, equipment loans/leases, or home-equity loans with minimum ratings of AAA/Aaa (or the equivalent) or A-1+/P-1 (or the equivalent) by any one rating agency.
- 8) **Negotiable Bank Deposit Obligations** - Negotiable bank certificates of deposit, deposit notes or other deposit obligations issued by a nationally or state chartered bank, credit union or savings association, or by a federally or state-licensed branch of a foreign bank or financial institution with minimum ratings of A-/A3 (or the equivalent) or A-1/P-1 (or the equivalent) by any one rating agency.
- 9) **Collateralized Bank Deposits** - Non-negotiable interest bearing time certificates of deposit, savings accounts or deposit accounts in banks organized under the laws of this state or in national banks organized under the laws of the United States and doing business in this state, provided that any such deposits are secured or collateralized, if required by state or Federal law.
- 10) **Insured Bank Deposits** - Interest bearing time certificates of deposit, savings accounts or deposit accounts fully insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA).
- 11) **Commercial Paper** – U.S. dollar denominated commercial paper issued or guaranteed by a U.S. or foreign corporation, company, financial institution, trust or other entity, including both unsecured debt and asset-backed programs with minimum ratings of A-1/P-1 (or the equivalent) by any one rating agency.
- 12) **Bankers' Acceptances** - Bankers' acceptances issued, drawn on, or guaranteed by a U.S. bank or U.S. branch of a foreign bank with minimum ratings of A-1/P-1 (or the equivalent) by any one rating agency.
- 13) **Money Market Funds** - Shares in open-end and no-load money market mutual funds, provided such funds are registered under the Investment Company Act of 1940 and operate in accordance with Rule 2a-7.
- 14) **Local Government Investment Pools** – State, local government, or privately-sponsored investment pools that are authorized pursuant to state law.

- 15) **Guaranteed investment contracts** -- Agreements with any financial institution or corporation that at the time of investment has long-term obligations rated at least "A-" or "A3" by any nationally recognized rating agency
- 16) **Forward delivery agreements** – Agreements with any financial institution or corporation that at the time of investment has long-term obligations rated at least "BBB-" or "Baa3" by any nationally recognized rating agency under which obligations described in (1) and/or (2) above are delivered.
- 17) **Term repurchase agreements** – Agreements with any financial institution or corporation that at the time of investment has long-term obligations rated at least "A-" or "A3" by any nationally recognized rating agency, provided that obligations shall be valued at least weekly and posted at a margin of 102% with a third-party custodian.

**"Person"** means an individual, corporation, partnership, joint venture, trust, unincorporated organization or any other juridical entity, or a foreign state or any agency or political subdivision thereof.

**"Principal Office"** means, when used with respect to the Issuer, the principal office of the Issuer in Tallahassee, Florida, and, when used with respect to the Trustee, the corporate trust office of the Trustee designated as such by the Trustee.

**"2019 Project"** means the acquisition, construction and equipping of projects authorized by Section 243.52(3), Florida Statutes, to include but not limited to, the acquisition, construction, and equipping of various educational facilities, including, without limitation, an approximately 52,000 square feet wellness center, including, without limitation, a fitness center, basketball courts, multi-purpose rooms and a recreational pool, and other capital improvements to the educational facilities of the Borrower that are essential or convenient for the operations of the Borrower, all on the main campus of the Borrower and other costs and expenses of the issue as authorized by Section 243.52(4), Florida Statutes.

**"Project"** means collectively, the 2019 Project and the Refunded Projects.

**"Qualified Project Costs"** means Costs of the Refunded Projects and Costs of the 2019 Project which constitute costs for property which is or will be owned by the Borrower and which has not been and will not be used in an "unrelated trade or business" (as such term is used in Section 513(a) of the Code) of the Borrower (or any other organization described in Section 501(c)(3) of the Code) or in the trade or business of a person who is neither a governmental unit nor an organization described in Section 501(c)(3) of the Code. Issuance Costs are not Qualified Project Costs, and in determining the amount of Qualified Project Costs, any fees paid to banks for letters of credit, fees paid for municipal bond insurance premiums or other guaranty fees and any capitalized interest on the Bonds properly allocable to property financed by the Bonds that constitute Qualified Project Costs (e.g., interest or qualified guarantee fees paid during a construction period of a building owned by the Borrower which building is not used in an unrelated trade or business of the Borrower or in the trade or business of a person who is neither a governmental unit nor an organization described in Section 501(c)(3) of the Code) and (b) any costs that otherwise would qualify above as Qualified Project Costs and which were originally

paid with funds other than proceeds of the Refunded Bonds or the Bonds and were originally paid no earlier than 60 days before adoption of an official intent within the meaning of Section 1.150-2(e) of the Income Tax Regulations (unless such expenditures are described by Section 1.150-2(f) of the Income Tax Regulations). However, Issuance Costs of the Refunded Bonds will be considered Qualified Project Costs of the Bonds.

**"Rating Agency"** means Fitch, Moody's or S&P or any other nationally recognized securities rating agency.

**"Rebate Amount"** means the excess of the future value, as of a computation date, of all receipts on nonpurpose investments (as defined in Section 1.148-1(b) of the Income Tax Regulations) over the future value, as of that date, of all payments on nonpurpose investments, all as provided by the Regulations implementing Section 148 of the Code.

**"Redemption Price"** means, when used with respect to any Bond or portion thereof, the principal amount of such Bond or such portion thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to this Indenture.

**"Refunded Bonds"** means, collectively, the Higher Educational Facilities Financing Authority Revenue Refunding Bonds (Saint Leo University Project), Series 2012A and 2012B.

**"Refunded Projects"** means the following projects located on the main campus of the Borrower, which were financed and refinanced with amounts loaned to the Borrower from proceeds of the Refunded Bonds and that are being refinanced with proceeds of the Bonds, including, the acquisition, construction and equipping of various educational facilities on the main campus of the Borrower, including, without limitation, dormitories, academic buildings, parking facilities, student community center, chiller plant and other structures, essential or convenient for the operations of the Borrower.

**"Registrar"** means the Trustee in its capacity as Bond Registrar under this Indenture.

**"Regulations"** means the applicable proposed, temporary or final Income Tax Regulations promulgated by the Department of Treasury, to the extent applicable to the Bonds, as such regulations may be amended or supplemented from time to time, including, without limitation, Sections 1.141-0 through 1.141-16, 1.145-0 through 1.145-2, 5f.103-2, 1.147(b)-1, 1.147-0, 1.147-1, 1.148-0 through 1.148-11, 1.149(b)-1, 1.149(e)-1, 5f.103-3, 1.149(g)-1 and Sections 1.150-1 through 1.150-5 and interpretative guidance issued by the Internal Revenue Service.

**"Reserved Rights"** means the Issuer's rights under Sections 3.02(f) and 8.04 of the Loan Agreement, all rights to be indemnified and all rights to receive notice.

**"Revenues"** means after payment of all amounts owing to the Trustee under this Indenture and the Issuer with respect to Section 3.02(f) and 8.04 of the Loan Agreement, including, without limitation Administrative Expenditures, as set forth in an invoice therefor delivered to the Borrower (i) all payments to the Issuer or the Trustee pursuant to the Loan Agreement, and (ii) all other receipts of the Issuer attributable to the financing and refinancing of the Project with the proceeds of Bonds.

**"S&P"** means S&P Global Ratings, a Standard & Poor's Financial Services LLC business, its successors and assigns, or if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Borrower by notice to the Trustee.

**"Serial Bonds"** means the Bonds that are stated to mature in annual installments as provided in Section 2.02 hereof.

**"Series 2019 Note"** means the Obligation (as defined in the Master Trust Indenture) dated May 16, 2019, issued by the Borrower, on behalf of itself and the other Members of the Obligated Group under the Master Trust Indenture to the Issuer and assigned by the Issuer to the Trustee hereby.

**"Sinking Fund Installment"** means the amount of money provided in this Indenture to redeem or pay at maturity the principal of Term Bonds at the times and in the amounts provided in this Indenture, less the amount of any credit against such amount arising from the purchase of Term Bonds in any prior Bond Year as provided in Section 4.04 hereof. The Sinking Fund Installments for the Bonds are set forth in Section 2.03 hereof.

**"State"** means the State of Florida.

**"Substantially All"** means ninety-five percent (95%) or more, unless an Opinion of Bond Counsel is rendered indicating that such term, as used herein, shall have a different meaning.

**"Supplemental Indenture"** means any agreement amending, modifying or supplementing this Indenture or any indenture supplemental hereto, entered into between the Issuer and the Trustee in accordance with the terms of this Indenture.

**"Tax Compliance Agreement"** means the Tax Regulatory Agreement and No Arbitrage Certificate dated May 16, 2019, between the Issuer and the Borrower.

**"Term Bonds"** means the Bonds payable prior to or at their stated maturity from Sinking Fund Installments deposited in the Sinking Fund Account, as provided in Section 2.03 hereof.

**"Trustee"** means the bank, trust company or national banking association appointed by Section 6.01 hereof as trustee for the Bonds and any other corporation that may at any time be substituted in its place pursuant to this Indenture, and their successors.

**"Underwriter"** means Morgan Stanley & Co. LLC.

**Section 1.02 Rules of Construction.** Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Indenture:

(a) Words importing the singular number include the plural number and words importing the plural number include the singular number.

(b) Words of the masculine gender include correlative words of the feminine and neuter genders.

(c) The headings and the table of contents set forth in this Indenture are solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect.

(d) Words importing persons include any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or agency or political subdivision thereof.

(e) Any reference to a particular percentage or proportion of the Bonds or the holders of Bonds shall mean the holders at the particular time of the specified percentage or proportion in aggregate principal amount of all Bonds then Outstanding under this Indenture, except Bonds held by or for the account of the Issuer or the Borrower or any affiliate, whether or not pledged to or by the Issuer or the Borrower or affiliate to secure any indebtedness; provided, however, that Bonds so pledged may be regarded as Outstanding for the purposes of this paragraph if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds. Any reference herein to Bonds the consent or direction of a specified proportion of the holders of which is required or permitted prior to the taking of any action hereunder shall mean the holders of such proportion of Outstanding Bonds as shall be affected thereby.

(f) Any reference to the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Fund Account, the Redemption Fund, the Project Fund and the Rebate Fund shall be to the fund or account so designated that is created under Section 4.01.

(g) Any reference to a particular Article or Section shall be to such Article or Section of this Indenture unless the context shall otherwise require.

## ARTICLE II AUTHORIZATION AND DETAILS OF THE BONDS

**Section 2.01 Authorization of Bonds.** There is hereby authorized the issuance of a series of Bonds of the Issuer which shall be designated "Educational Facilities Revenue and Revenue Refunding Bonds (Saint Leo University Project), Series 2019" in the aggregate principal amount of Sixty-Eight Million Nine Hundred Thirty-Five Thousand and No/100 Dollars (\$68,935,000) for the purpose of financing and refinancing the costs of the acquisition, construction and equipping of the 2019 Project and refinancing the Borrower's obligations with respect to the Refunded Projects, and thereby refunding, the Refunded Bonds, the proceeds of which were loaned to the Borrower to finance and/or refinance the Refunded Projects.

**Section 2.02 Details of Bonds; Forms of Bonds and Certificate of Authentication.** The Bonds shall be issued as fully registered bonds without coupons in Authorized Denominations. The Bonds shall be dated the date of initial authentication and delivery thereof and bear interest at the rate or rates of interest per year (calculated on the basis of a 360-day year consisting of twelve 30-day months) set forth below from the most recent interest payment date for which interest has been paid or provided for, or, if no interest has been paid, from the date of initial authentication and delivery, and shall mature on March 1 in each of the years and in amounts as follows:

<u>Serial Bonds</u>		
<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2021	\$1,105,000	5.000%
2022	1,160,000	5.000
2023	1,220,000	5.000
2024	1,280,000	5.000
2025	1,345,000	5.000
2026	1,415,000	5.000
2027	1,485,000	5.000
2028	1,555,000	5.000
2029	1,635,000	5.000
2030	1,715,000	5.000
2031	1,805,000	5.000
2032	1,890,000	5.000
<u>Term Bonds</u>		
<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2039	\$16,170,000	5.000%
2044	15,445,000	5.000
2049	19,710,000	5.000

The Bonds shall also be subject to optional redemption and extraordinary redemption prior to maturity, and shall otherwise have the terms, tenor, details and specifications as set forth in the form of the Bond attached hereto as Appendix A. The Bonds shall also be subject to mandatory redemption from Sinking Fund Installments as provided in Section 2.03 below.

Selection of the Bonds for redemption shall be made and notice of redemption shall be given as provided in Article III hereof.

The Bonds shall be substantially in the form set forth in Appendix A attached hereto and made a part hereof, with such insertions, omissions and variations as may be deemed necessary or appropriate by the officers of the Issuer executing the same and as shall be permitted by the Enabling Act. The Issuer hereby adopts the form of Bond set forth in Appendix A hereto and all of the covenants and conditions set forth therein, as and for the form of obligation to be incurred by the Issuer as the Bonds. The covenants and conditions set forth in such form are incorporated into this Indenture by reference and shall be binding upon the Issuer as though set forth in full herein.

The Bonds may contain, or have endorsed thereon, any notations, legends or endorsements not inconsistent with the provisions of this Indenture or any Supplemental Indenture authorizing the same as may be necessary or desirable and as may be determined by the officers of the Issuer executing the same prior to the authentication and delivery of such Bonds. The execution and delivery of the Bonds by the Issuer in accordance with this Indenture shall be conclusive evidence of the approval of the form of such Bonds by the Issuer, including

any insertions, omissions, variations, notations, legends or endorsements authorized or permitted by this Indenture.

The Bonds shall be numbered consecutively from 1 upward, preceded by an "R." Before authenticating and delivering any Bond, the Registrar shall complete the form of such Bond to show the registered owner, principal amount, interest rate, maturity date, number and authentication date of such Bond. The printing of CUSIP numbers on the Bonds shall have no legal effect and shall not affect the enforceability of any Bond.

All Bonds issued under this Indenture and at any time outstanding shall in all respects be equally and ratably secured hereby, without preference, priority or distinction. The Bonds shall be payable solely out of the Revenues and other security pledged therefor and shall not constitute an indebtedness of the Issuer within the meaning of any state constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the Issuer.

**Section 2.03 Sinking Fund Installments.** The Term Bonds maturing on March 1, 2039 are subject to mandatory redemption prior to maturity, in part by lot, at a Redemption Price equal to 100% of the principal amount of such Bonds to be redeemed, together with accrued interest to the date fixed for redemption, on March 1, 2033 and on each March 1 thereafter from the following Sinking Fund Installments in the years specified:

**\$16,170,000 Term Bonds Due March 1, 2039**

<u>Year</u>	<u>Sinking Fund Installment</u>	<u>Year</u>	<u>Sinking Fund Installment</u>
2033	\$1,985,000	2037	\$2,415,000
2034	2,085,000	2038	2,535,000
2035	2,190,000	2039*	2,660,000
2036	2,300,000		

\* Maturity

The Term Bonds maturing on March 1, 2044 are subject to mandatory redemption prior to maturity, in part by lot, at a Redemption Price equal to 100% of the principal amount of such Bonds to be redeemed, together with accrued interest to the date fixed for redemption, on March 1, 2040 and on each March 1 thereafter from the following Sinking Fund Installments in the years specified:

**\$15,445,000 Term Bonds Due March 1, 2044**

<u>Year</u>	<u>Sinking Fund Installment</u>	<u>Year</u>	<u>Sinking Fund Installment</u>
2040	\$2,795,000	2043	\$3,235,000
2041	2,935,000	2044*	3,400,000
2042	3,080,000		

\* Maturity

The Term Bonds maturing on March 1, 2049 are subject to mandatory redemption prior to maturity, in part by lot, at a Redemption Price equal to 100% of the principal amount of such Bonds to be redeemed, together with accrued interest to the date fixed for redemption, on March 1, 2045 and on each March 1 thereafter from the following Sinking Fund Installments in the years specified:

**\$19,710,000 Term Bonds Due March 1, 2049**

<u>Year</u>	<u>Sinking Fund Installment</u>	<u>Year</u>	<u>Sinking Fund Installment</u>
2045	\$3,565,000	2048	\$4,130,000
2046	3,745,000	2049*	4,335,000
2047	3,935,000		

\* Maturity

The Issuer shall cause to be deposited into the Sinking Fund Account from the Revenues an amount sufficient to timely pay such Sinking Fund Installments.

**Section 2.04 Conditions Precedent to Delivery of Bonds.** The Bonds shall be executed by the Issuer and delivered to the Trustee, whereupon the Trustee shall authenticate the Bonds and, upon payment of the purchase price of the Bonds, shall deliver the Bonds to or upon the order of the Underwriter, but only upon delivery to the Trustee of:

- (a) a counterpart of this Indenture executed by the Issuer and the Trustee;
- (b) a counterpart of the Loan Agreement executed by the Issuer and the Borrower;
- (c) a fully executed copy of the Master Trust Indenture and the First Supplemental Master Trust Indenture authorizing the Series 2019 Note, both executed by the Borrower and the Master Trustee;
- (d) a fully executed copy of the Series 2019 Note, which shall either be accompanied by an assignment thereof to the Trustee without recourse, or which shall bear evidence that it has been otherwise transferred to the Trustee;
- (e) an opinion of Bond Counsel, subject to customary limitations, in form reasonably acceptable to the Issuer, such acceptance to be evidenced by the Issuer's delivery of the Bonds;
- (f) certified copies of all resolutions and proceedings of the Issuer authorizing the issuance of the Bonds;
- (g) an opinion of counsel to the Borrower, subject to customary limitations, in form reasonably acceptable to the Issuer, such acceptance to be evidenced by the Issuer's delivery of the Bonds;

(h) an opinion of counsel for the Issuer, subject to customary limitations, stating, among other things, that the issuance of such Bonds has been duly and validly authorized and that said Bonds and this Indenture executed with respect thereto are valid and binding obligations of the Issuer, enforceable in accordance with their respective terms;

(i) a copy of the written request of the Issuer for the authentication and delivery of the Bonds; and

(j) an opinion of counsel to the Trustee in form reasonably acceptable to the Issuer.

**Section 2.05 Execution and Authentication.** The Bonds shall be executed in the name and on behalf of the Issuer by the manual or facsimile signature of its Chair or Vice Chair and sealed with its seal (or a facsimile thereof), attested by the manual or facsimile signature of the Secretary. In case any officer whose manual or facsimile signature appears on the Bonds shall cease to be such officer before delivery of such Bonds, such signature, nevertheless, shall be valid and sufficient for all purposes as if he had remained in office until such delivery, and the Issuer may adopt and use for the execution of Bonds the manual or the facsimile signature of any person who shall have been at the time the proper officer to execute such Bonds, notwithstanding the fact that he may not have been such officer on the date of such Bonds or that he may have ceased to be such officer at the time when such Bonds shall be authenticated and delivered.

No Bonds shall be valid or obligatory for any purpose or entitled to any right or benefit hereunder unless there shall be endorsed on such Bonds a certificate of authentication substantially in the form set forth in Appendix A, duly executed by the Registrar, and such certificate of the Registrar upon any Bond executed on behalf of the Issuer shall be conclusive evidence and the only evidence required that the Bond so authenticated has been duly issued hereunder and that the holder thereof is entitled to the benefits of this Indenture. The Certificate of the Registrar may be executed by any authorized signatory of the Registrar, but it shall not be necessary that the same person sign the certificate of authentication on all Bonds issued hereunder.

**Section 2.06 Registration and Exchange of Bonds.** The Bonds shall be negotiable instruments for all purposes and shall be transferable by delivery, subject only to the provisions for registration and registration of transfer endorsed on the Bonds.

The Issuer shall cause books for registration and the registration of transfer of the Bonds to be prepared. The registration books shall be kept by the Registrar. The holder of any Bond may register such Bond only upon such books.

If any Bond is surrendered to the Registrar at its Principal Office for transfer or exchange in accordance with the provisions of such Bond, the Issuer shall execute and the Registrar shall authenticate and deliver in exchange for such Bond a new Bond or Bonds of the same maturity, in any Authorized Denominations, bearing interest at the same rate and having the same stated maturity date, in aggregate principal amount equal to the principal amount of the Bond so surrendered, upon reimbursement to the Issuer or the Registrar of an amount equal to any tax or other governmental charge required to be paid with respect to such exchange (other than exchanges of Bonds upon partial redemption not involving any transfer).

Neither the Issuer nor the Registrar shall be required to register the transfer of any Bond or make any such exchange of (i) any Bond during the 15 days preceding the date of mailing of any notice of redemption unless the transferee acknowledges in writing the matters contained in such notice or (ii) any Bonds selected or called for redemption in whole or in part, except in the case of any Bond to be redeemed in part, the portion thereof not so to be redeemed.

**Section 2.07 Bonds Mutilated, Destroyed, Lost or Stolen.** If any temporary or definitive Bond shall become mutilated or be destroyed, lost or stolen, the Issuer in its discretion may execute, and the Registrar shall authenticate and deliver, a new Bond in exchange for the mutilated Bond or in lieu of and substitution for the Bond so destroyed, lost or stolen. In every case of exchange or substitution, the applicant shall furnish to the Issuer and to the Registrar (i) evidence to their satisfaction of the mutilation, destruction, loss or theft of the applicant's Bond and of the ownership thereof and (ii) in the case of any destroyed, lost or stolen Bond, such security or indemnity as may be required by them to save each of them harmless from all risks, however remote. Upon the issuance of any Bond upon such exchange or substitution, the Issuer may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses, including counsel fees, of the Issuer or the Registrar.

If any Bond that has matured or is about to mature shall become mutilated or be destroyed, lost or stolen, instead of issuing a Bond in exchange or substitution therefor, the Issuer may pay or authorize the payment of such Bond (without surrender thereof except in the case of a mutilated Bond) if the applicant for such payment shall furnish to the Issuer and to the Registrar evidence to the satisfaction of the Issuer and the Registrar of the mutilation, destruction, loss or theft of such Bond and of the ownership thereof and, in the case of any destroyed, lost or stolen Bond, such security or indemnity as they may require to save them harmless from all risks.

Every Bond issued pursuant to the provisions of this Section in exchange or substitution for any Bond that is mutilated, destroyed, lost or stolen shall constitute an additional contractual obligation of the Issuer, whether or not the destroyed, lost or stolen Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits hereof equally and proportionately with any and all other Bonds duly issued under this Indenture. All Bonds shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds, and shall preclude any and all other rights or remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

**Section 2.08 Cancellation and Disposition of Bonds.** All mutilated Bonds, all Bonds surrendered for exchange or transfer, all Bonds that have been paid at maturity or upon prior redemption and all Bonds surrendered to the Trustee for cancellation or purchased by the Trustee with amounts on deposit in the Sinking Fund Account or the Redemption Fund shall be canceled by the Registrar or the Trustee (as the case may be) and destroyed. The Registrar or the Trustee (as the case may be) shall deliver to the Issuer or the Borrower, upon its request, a Certificate of any such destruction of any Bond, identifying the Bond so canceled and cremated or otherwise destroyed.

**Section 2.09 Book-Entry System.** A book-entry system with The Depository Trust Company is hereby authorized for the Bonds. The provisions of this Section shall apply to the Bonds while such Bonds are maintained under the book-entry system with The Depository Trust Company or any other securities depository for the Bonds appointed pursuant to this Section, or their successors (a "Securities Depository"), any other provisions of this Indenture to the contrary notwithstanding.

(a) The principal or Redemption Price of and interest on the Bonds shall be payable to the Securities Depository, or registered assigns, as the registered owner of the Bonds, on each date on which the principal or Redemption Price of or interest on the Bonds becomes due. Such payments shall be made to the offices of the Securities Depository specified by the Securities Depository to the Trustee in writing. Without notice to or the consent of the beneficial owners of the Bonds, the Trustee and the Securities Depository may agree in writing to make payments in a manner different from that set out herein. Neither the Issuer nor the Trustee nor the Borrower shall have any obligation with respect to the transfer or crediting of the appropriate payments to any participant of any Securities Depository (a "Participant") or the beneficial owners of the Bonds or their nominees.

(b) In the event that part but not all of any outstanding Bond is to be retired (by redemption, by acceleration or otherwise), the Securities Depository, in its discretion (i) may request the Registrar to authenticate and deliver a new Bond in accordance with Section 3.03 upon presentation and surrender of such Bond to the Registrar or (ii) shall make appropriate notation on the Bond certificate indicating the date and amount of each principal payment; provided that payment of the final principal amount of any Bond shall be made only upon presentation and surrender of such Bond to the Trustee.

(c) So long as the Securities Depository or its nominee is the registered owner of the Bonds, the Issuer, the Trustee and the Registrar will recognize the Securities Depository or its nominee, respectively, as the holder of all of the Bonds for all purposes, including (without limitation) the payment of the principal or Redemption Price of, and interest on the Bonds, the giving of notices and any consent or direction required or permitted to be given to, or on behalf of, the holders of the Bonds under this Indenture.

(d) The Borrower, on behalf of the Issuer, in its discretion, at any time upon complying with the rules of such Securities Depository, may replace any Securities Depository as the depository for the Bonds with another qualified securities depository or discontinue the maintenance of the Bonds under a book-entry system upon 30 days' notice to the Securities Depository (or such fewer number of days as shall be acceptable to such Securities Depository). A copy of any such notice shall be delivered promptly to the Trustee.

(e) If the Borrower, on behalf of the Issuer, discontinues the maintenance of the Bonds under the book-entry system, the Issuer, at the expense of the Borrower, will issue Bonds directly to the Participants or, to the extent requested by any Participant, to the beneficial owners of Bonds as further described in this Section. The Borrower, on behalf of the Issuer, shall make provisions to notify Participants and the beneficial owners of the Bonds, by mailing an appropriate notice to the Securities Depository, or by other means deemed appropriate by the Issuer in its discretion, that it will issue Bonds directly to the Participants or, to the extent requested by any Participant, to beneficial owners of Bonds as of a date set forth in such notice,

which shall be a date at least 10 days after the date of mailing of such notice (or such fewer number of days as shall be acceptable to the Securities Depository).

In the event that Bonds are to be issued to Participants or to beneficial owners of the Bonds, the Issuer shall promptly have prepared Bonds in certificated form registered in the names of the Participants as shown on the records of the Securities Depository provided to the Trustee or, to the extent requested by any Participant, in the names of the beneficial owners of Bonds shown on the records of such Participant provided to the Trustee, as of the date set forth in the notice delivered in accordance with this clause (e).

(f) If the Borrower, on behalf of the Issuer, replaces any Securities Depository as the depository for the Bonds with another qualified Securities Depository, the Issuer, at the expense of the Borrower, will issue to the replacement Securities Depository Bonds registered in the name of such replacement Securities Depository or its nominee.

(g) Each Securities Depository and the Participants and the beneficial owners of the Bonds, by their acceptance of the Bonds, agree that the Issuer, the Trustee and the Borrower shall have no liability for the failure of any Securities Depository to perform its obligations to any Participant or any beneficial owner of any Bonds, nor shall the Issuer, the Trustee or the Borrower, on behalf of the Issuer, be liable for the failure of any Participant or other nominee of any beneficial owner of any Bonds to perform any obligation that such Participant or other nominee may incur to any beneficial owner of the Bonds.

As long as the Bonds are held in book-entry only form, CEDE & Co. shall be considered the registered owner for all purposes hereof and the Bonds shall not be required to be presented for payment.

### ARTICLE III REDEMPTION OF BONDS

**Section 3.01 Selection of Bonds to Be Redeemed.** If fewer than all of the Bonds are to be redeemed, except as otherwise expressly provided herein, the Borrower, on behalf of the Issuer, shall select the particular maturities of the Bonds (and may in its discretion treat each Sinking Fund Installment as a maturity) or the portions of maturity or maturities (including Sinking Fund Installments) of Bonds to be redeemed. If fewer than all of the Bonds of any one maturity shall be called for redemption, the Trustee shall select the particular Bonds or portions of Bonds to be redeemed from such maturity by lot; provided, however, that the portion of any Bond remaining outstanding after such redemption shall be in an Authorized Denomination for such Bond; provided further, that, in selecting Bonds for redemption, the Trustee shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by the minimum denomination for Bonds.

#### **Section 3.02 Notice of Redemption of Bonds.**

(a) At the direction of the Borrower, on behalf of the Issuer, the Trustee shall give notice pursuant to Section 4(e) of the Bonds and this Section 3.02 of the redemption of the Bonds pursuant to Section 4(a) or 4(b) of the Bonds, with a copy to the Issuer, provided, however, failure to give such notice to the Issuer shall not in any manner defeat the effectiveness of a call for redemption. Each such direction from the Borrower shall be given at least five (5)

days prior to the date on which notice of the redemption of such Bonds is required by the terms of such Bonds to be given to the holders, or such fewer number of days as shall be acceptable to the Trustee.

(b) At least 20 days before each date on which a Sinking Fund Installment for the Bonds becomes due, the Trustee shall select Bonds then subject to redemption from such Sinking Fund Installment to be redeemed on such date in an aggregate principal amount equal to such Sinking Fund Installment (as such Sinking Fund Installment may be reduced in accordance with Section 4.04 hereof) and shall give notice in the name of the Issuer of the redemption of such Bonds.

(c) Each notice of redemption of Bonds shall be given to the registered owners of the Bonds being redeemed in accordance with the terms of the Bonds and shall set forth (i) the maturity dates of such Bonds to be redeemed, (ii) the CUSIP number of the Bonds to be redeemed, (iii) the date fixed for redemption, (iv) the date of the Bonds, (v) the Redemption Price to be paid, (vi) that such Bonds will be redeemed at the Principal Office of the Trustee, (vii) if fewer than all of the Bonds of any one maturity then Outstanding shall be called for redemption, the distinctive numbers and letters, if any, of the Bonds to be redeemed, (viii) in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed, (ix) any conditions to such redemption and (x) that on the redemption date, if all conditions, if any, to such redemption shall have been satisfied, there shall become due and payable upon all Bonds to be redeemed the Redemption Price thereof, together with interest accrued to the redemption date, and that, from and after such date, interest thereon shall cease to accrue. If any Bond is to be redeemed in part only, the notice of redemption that relates to such Bond shall state also that on or after the redemption date, upon surrender of such Bond to the Trustee at its Principal Office, a new Bond or Bonds of the same maturity, bearing interest at the same rate and of any denomination authorized by this Indenture will be issued in aggregate principal amount equal to the unredeemed portion of such Bond.

(d) The Trustee, at the written direction of the Borrower, on behalf of the Issuer, shall give additional notice of the redemption of Bonds in accordance with any regulation or release of the Municipal Securities Rulemaking Board or other governmental board or body from time to time applicable to such Bonds; provided, however, failure to give such notice shall not in any manner defeat the effectiveness of a call for redemption.

(e) If notice of redemption shall have been given as provided in this Section 3.02 and all conditions to such redemption shall have been satisfied, then on or prior to the redemption date the Issuer shall pay to the Trustee from the Revenues an amount in cash that, in addition to other moneys, if any, available therefor held by the Trustee, shall be sufficient to redeem at the Redemption Price thereof, plus accrued interest to the redemption date, all of the Bonds the Borrower has so elected to redeem or that are required by their terms to be redeemed. Failure to properly give notice of redemptions as to any Bonds or any defect thereon shall not affect the proceeding for redemption of any Bonds as to which notice was properly given.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Notwithstanding the foregoing or any other provision hereof, notice of optional redemption pursuant to this Section 3.02 may, upon direction of the Borrower to the Trustee, be conditioned upon the occurrence or non-occurrence of such event or events as shall be specified in such notice of optional redemption and may also be subject to rescission upon direction of the Borrower to the Trustee if expressly set forth in such notice.

**Section 3.03 Redemption of Portion of Bond.** In case part but not all of an Outstanding Bond shall be selected for redemption, upon the presentation and surrender of such Bond to the Trustee for payment of the principal amount thereof so called for redemption in accordance with such Bond, the Issuer shall execute and the Registrar shall authenticate and deliver to or upon the order of the registered owner of such Bond or his attorney or legal representative, without charge therefor, for the unredeemed portion of the principal amount of the Bond so surrendered, a Bond or Bonds of the same maturity, bearing interest at the same rate and of any denomination authorized by this Indenture, in aggregate principal amount equal to the unredeemed portion of such Bond.

**Section 3.04 Purchase in Lieu of Redemption.** Any Bonds called for optional redemption as permitted by the terms hereof and of the Bonds may be purchased by the Borrower or by any other party designated in writing by the Borrower, on the date upon which such Bonds were to have been redeemed (the "Purchase in Lieu of Redemption Date"), at a purchase price equal to the Redemption Price that would have been payable had such Bonds been redeemed on such date, upon delivery by the Borrower to the Trustee of a Favorable Opinion of Bond Counsel with respect thereto. The Borrower shall have given written notice on or before the designated Purchase in Lieu of Redemption Date to the Trustee of the aggregate principal amount of Bonds, if any, for which an election to purchase is being made. Bonds to be purchased which are not delivered by the Bondholders thereof to the Trustee on the Purchase in Lieu of Redemption Date shall nevertheless be deemed to have been so purchased, and the purchaser of such Bonds shall be the owner of such Bonds, and interest accruing on such Bonds on and after the Purchase in Lieu of Redemption Date shall be paid solely to the purchaser of the Bonds or any assignee(s) of its interest in such Bonds. Any Bonds purchased or deemed purchased pursuant hereto shall remain Outstanding.

## ARTICLE IV REVENUES AND FUNDS

**Section 4.01 Creation of Funds to Be Held for Bonds.** The following funds and separate accounts within such funds are hereby created for the benefit of the holders of all Bonds Outstanding under this Indenture:

### Debt Service Fund:

Interest Account,  
Principal Account,  
Sinking Fund Account;

### Project Fund;

Redemption Fund; and

Rebate Fund.

The funds and accounts created hereby shall be held by the Trustee hereunder. For the purposes of internal accounting, the funds created pursuant to this Section 4.01 may contain one or more accounts and sub-accounts, as the Trustee may determine.

Pending the application of amounts on deposit in the funds and accounts created by this Section 4.01 as provided in this Indenture, such amounts are hereby pledged to the payment of the principal of and interest on all Outstanding Bonds; provided that the Rebate Fund is not pledged to the payment of any Bonds.

**Section 4.02 Application of Proceeds of Bonds; Deposit of Revenues.**

(a) The net proceeds of the Bonds (\$76,606,213.88) (\$68,935,000.00 principal amount plus original issue premium of \$8,060,342.85, less Underwriter's discount of \$389,128.97), together with other funds described below, shall be received by the Trustee in trust for the benefit of the holders from time to time of the Bonds, subject to and in accordance with the terms of this Indenture. Upon receipt of such net proceeds, together with such other funds described below, the Trustee shall make payments from such net proceeds as follows:

(i) \$45,977,552.51 of proceeds of the Bonds shall be applied by U.S. Bank National Association, in its capacity as bond trustee for the Refunded Bonds, together with \$79,726.00 of other available funds of the Borrower, to redeem the Refunded Bonds;

(ii) \$1,612,322.92 shall be deposited in a subaccount hereby created in the Interest Account to pay capitalized interest on the Bonds;

(iii) \$4,556,250.00 shall be deposited in the Series 2019 Account of the Debt Service Reserve Fund (as defined in the Master Trust Indenture) to be applied to the Debt Service Reserve Requirement (as defined in the Master Trust Indenture) for the Series 2019 Note;

(iv) \$24,002,388.45 shall be deposited in the Project Fund to be applied to pay Costs of the 2019 Project; and

(v) \$457,700.00, the balance of the proceeds of the Bonds, shall be deposited to the Project Fund to be applied to pay Issuance Costs.

(b) Except as otherwise expressly provided in this Indenture, the Trustee shall deposit Revenues upon receipt thereof as follows and in the following order of priority:

FIRST: to the Interest Account, the amount, if any, necessary to make the amount on deposit therein equal to the amount of accrued and unpaid interest on the Bonds Outstanding as of the immediately succeeding interest payment date or redemption date on the Bonds; provided however, amounts on deposit in the subaccount to the Interest Account shall be applied to pay interest on the Bonds in accordance with Schedule I attached hereto;

SECOND: (i) to the Principal Account, the amount, if any, required to make the amount on deposit in the Principal Account equal to the principal amount, if any, due on

the Bonds Outstanding on the immediately succeeding principal payment date of the Bonds and (ii) to the Sinking Fund Account, the amount, if any, required to make the amount on deposit in the Sinking Fund Account equal to the Sinking Fund Installment, if any, due on the Bonds on the immediately succeeding March 1.

(c) In addition to the foregoing, the Trustee shall deposit Revenues constituting prepayments of the principal amount of the Loan made by the Borrower to the Trustee in accordance with Section 7.01 or 7.02 of the Loan Agreement in the Redemption Fund immediately upon receipt thereof.

**Section 4.03 Project Fund.** Moneys deposited in the Project Fund shall be applied to finance and refinance (including through reimbursement) the Costs of or relating to the 2019 Project (including Issuance Costs) in accordance with Requisitions of the Borrower, in the form attached hereto as Appendix B, stating the names of the payees, the purpose of each payment in terms sufficient for identification and the respective amounts of each such payment. As soon as practicable after the Completion Date of the 2019 Project, the Trustee shall pay the balance of moneys then remaining in the Project Fund, less any amounts to be retained in the Project Fund to pay any unpaid Costs of the 2019 Project, to (x) the Principal Account or the Redemption Fund, as the Borrower shall direct, or (y) upon a delivery of a Favorable Opinion of Bond Counsel, such amounts may be applied to other capital projects of the Borrower permitted under the Enabling Act and upon compliance by the Borrower with Section 4.05 of the Loan Agreement.

**Section 4.04 Debt Service Fund.**

On each interest payment date on the Bonds the Trustee shall pay or cause to be paid from the Interest Account the interest due on the Outstanding Bonds. The Trustee also shall pay from the Interest Account any amounts required for the payment of accrued interest upon any purchase or redemption of Outstanding Bonds.

On each date on which the principal amount of any Bonds becomes due, the Trustee shall pay or cause to be paid from the Principal Account the principal amount due, if any, on the Outstanding Bonds, upon presentation and surrender of the requisite Bonds.

The Trustee shall take all action required by Article III to effect the timely redemption of Outstanding Term Bonds from the Sinking Fund Account in accordance with the Sinking Fund Installments as herein set forth.

If the Borrower delivers to the Trustee for cancellation on or before the 45th day next preceding any March 1 on which a Sinking Fund Installment is due, Term Bonds subject to redemption from such Sinking Fund Installment, or Term Bonds subject to redemption from a Sinking Fund Installment are otherwise purchased or redeemed at the direction of the Borrower during such Bond Year, then an amount equal to 100% of the aggregate principal amount of such Bonds so purchased, delivered to the Trustee for cancellation or redeemed shall be credited against such Sinking Fund Installment. If the aggregate principal amount of Term Bonds purchased or redeemed in any Bond Year is in excess of the Sinking Fund Installment due on such Term Bonds on the immediately succeeding March 1, the Trustee shall credit such excess



against subsequent Sinking Fund Installments for such Term Bonds as directed in a Certificate of the Borrower.

If provision for the payment of any Bonds is to be made as provided in Section 9.01 hereof, on the date on which such Bonds are deemed to be paid in accordance with such Section 9.01, amounts on deposit in the Debt Service Fund for the payment of the principal or Redemption Price of or interest on such Bonds shall be paid to the Trustee or escrow or defeasance agent for such Bonds as the Borrower shall direct.

**Section 4.05** [Reserved].

**Section 4.06** Redemption Fund.

(a) Subject to the provisions of paragraph (b) and (c) of this Section, moneys in the Redemption Fund shall be applied by the Trustee to the purchase or redemption of Bonds of such maturities as the Borrower shall direct. At the written direction of the Borrower, the Trustee shall purchase Bonds identified by the Borrower at the price or prices authorized by the Borrower, but no such purchase shall be made by the Trustee within the period of forty-five (45) days immediately preceding any interest payment date on which such Bonds are subject to call for redemption under the provisions of this Indenture.

(b) The Borrower may set aside any available amount on deposit in the Redemption Fund for the redemption of particular Bonds by the delivery of irrevocable written Order to the Trustee directing the Trustee to set aside such amount for such purpose, in which event all of the provisions of Sections 9.01 and 10.04 shall be applicable to such Bonds and the amounts set aside for the payment of such Bonds. Amounts set aside for the redemption of Bonds and investment earnings on such amounts shall be applied to the payment of the interest due on such Bonds on or prior to the redemption date of such Bonds to the extent provided in such instructions.

(c) Moneys set aside to pay the Redemption Price of any Bonds theretofore called for redemption or the purchase price of Bonds theretofore contracted to be purchased shall not be deemed to be available for application as provided in this Section.

**Section 4.07** Investment of Moneys. Subject to the provisions of Section 4.09, moneys in any of the funds and accounts established by this Indenture shall be invested by the Trustee, as shall be directed in writing by the Borrower, but only in Permitted Investments maturing in such amounts and on such dates as may be necessary to provide moneys to meet the payments from such funds and accounts.

Subject to the provisions of Section 4.09 and the further provisions of this Section, interest earned, profits realized and losses suffered by reason of any investment of the funds and accounts created by this Indenture shall be credited or charged, as the case may be, to the fund or account for which such investment shall have been made.

Upon the Request of the Borrower, interest earned from the investment of all or any portion of any money in the Redemption Fund shall be paid from the Redemption Fund to the Interest Account during any period set forth in such request.

The Trustee may sell or redeem any obligations in which moneys shall have been invested as in this Section provided to the extent necessary to provide cash in the respective funds or accounts to make any payments required to be made therefrom or to facilitate the transfer of moneys between various funds and accounts as may be required or permitted from time to time pursuant to the provisions of this Indenture. The proceeds from the sale of any investment shall be paid into the fund or account for which the sale thereof was made.

In determining the value of the assets of the funds and accounts created by this Indenture, investments and accrued interest thereon shall be deemed a part thereof. Investments shall be valued at current market value.

The Trustee shall not be liable for any depreciation in the value of any obligations in which moneys of the funds or accounts created by this Indenture shall be invested as set forth above, or for any loss arising from any investment permitted herein to the extent it has followed the directions of the Borrower in making such investments. The investments authorized by this Section shall at all times be subject to the provisions of applicable law, as amended from time to time; but the Trustee shall not be liable or held responsible for following the written investment directions of the Borrower.

At the direction of the Borrower, the Trustee may (i) make any and all investments permitted under this Article IV through its own bond or investment department; (ii) purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section 4.07; and (iii) act as purchaser or agent in the making or disposing of any investment.

**Section 4.08** Application of Moneys in Certain Funds for Retirement of Bonds. Notwithstanding any other provision of this Indenture, if at any time the Borrower shall determine to provide for the payment of any Outstanding Bonds in accordance with Article IX, upon the Request of the Borrower, the Trustee shall apply any moneys on deposit in the funds and accounts created by this Indenture available for the payment of the principal or Redemption Price of and interest on such Bonds to the payment or redemption of such Bonds in the manner provided by Article IX.

**Section 4.09** Rebate Fund.

(a) Section 148(f) of the Code, as implemented by Sections 1.148-1 to 1.148-11 of the Income Tax Regulations, as applicable (the "Rebate Provisions") requires that, among other requirements and with certain exceptions, the Issuer pay to the United States of America the Rebate Amount. The Issuer hereby covenants that it will make payments of the Rebate Amount as directed by the Borrower (but only from moneys provided to the Issuer by or on behalf of the Borrower for such purposes), if any, required to be made to the United States pursuant to the Code in order to establish or maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes. The Borrower shall timely make or cause to be made all necessary calculations of the Rebate Amount as required to comply with the Rebate Provisions and shall deposit or cause the Trustee to deposit into the Rebate Fund from investment earnings on moneys deposited in the other funds and accounts created hereunder, or from any other funds held by the Trustee and available for such purpose, or from other moneys paid by the Borrower to the Trustee for such purpose, the amount necessary to increase the balance in the Rebate Fund to the Rebate Amount. The Borrower shall certify in writing the

Rebate Amount, if any (and if none is due, that none is due), and the calculations determining the same to the Trustee, and shall instruct the Trustee in writing to make from the Rebate Fund (or to the extent necessary, from other funds of the Borrower delivered to the Trustee) all required payments to the United States of America of the Rebate Amount as shall be required to satisfy the Rebate Provisions, and to the extent the funds held by the Trustee in the Rebate Fund are not sufficient to make payments of such Rebate Amount, the Borrower shall pay to the Trustee an amount necessary to make up such deficiency. In complying with the foregoing, the Borrower may rely upon any instructions from and any opinions of Bond Counsel, including, without limitation, a letter to be delivered by Bond Counsel to the Issuer, the Borrower and the Trustee on the date of issuance of the Bonds, and upon any certificates, opinions or calculations prepared by certified public accountants or other consultants reasonably selected by the Borrower.

The Trustee shall cooperate with the Borrower in complying with the requirements of this Section and shall promptly provide to the Borrower, upon its request, any information in the possession of the Trustee concerning the investment of Gross Proceeds of the Bonds and all other information in the possession of the Trustee of benefit to the Borrower in complying with the requirements of this Section. "Gross Proceeds" of the Bonds, for purposes of this Section include (a) proceeds of such Bonds, (b) amounts received from the Borrower pursuant to the Loan Agreement with respect to such Bonds, (c) all funds in accounts subject to the lien of this Indenture allocable to the Bonds, and (d) other amounts that the Issuer may advise the Trustee to treat as Gross Proceeds, and investment earnings on all of the foregoing.

Prior to making any distribution from the Rebate Fund held under this Indenture, the Trustee shall determine, from written calculations provided hereunder by the Borrower, whether funds remaining therein subject to the terms of this Indenture shall be sufficient to pay the Rebate Amount when due and shall advise the Borrower of the deficiency, if any, which the Borrower shall promptly pay to the Trustee. Payments to be made to the United States of America as required hereunder may be made directly by the Trustee from the Rebate Fund, or any other fund or account held under this Indenture, or from funds provided by the Borrower upon, and in such amounts as provided in written instruction from the Borrower to the Trustee, notwithstanding any other provisions herein to the contrary.

Notwithstanding any other provisions of this Indenture, including in particular Article IX of this Indenture, the obligation to pay the Rebate Amount to the United States and to comply with all other requirements of this Section 4.09 shall survive the defeasance or payment in full of the Bonds.

All funds and accounts created hereunder shall be impressed with a lien to secure prompt payment of the Rebate Amount which shall be prior to the lien created hereunder for the benefit of the Bondholders and further by a lien to reimburse the Trustee for any expense (including reasonable attorneys' fees) incurred by it pursuant to this Section, which lien shall also be prior to the lien created hereunder for the benefit of the Bondholders.

Under no circumstances whatsoever shall the Trustee be liable to the Issuer, the Borrower or any Owner for any loss of the status of interest on the Bonds as excludable from gross income for federal income tax purposes, or any claims, demands, damages, liabilities, losses, costs or expenses resulting therefrom or in any way connected therewith, resulting from a failure to comply with Section 148(f) of the Code so long as the Trustee has, pursuant to the terms of this

Section 4.09, in good faith acted in accordance with the written directions of the Issuer and/or the Borrower, as appropriate.

(b) Notwithstanding any provision of this Indenture to the contrary, the Trustee shall not be liable or responsible for any calculation or determination which may be required in connection with or for the purpose of complying with the Rebate Provisions, including, without limitation, the calculation of amounts required to be paid to the United States under the Rebate Provisions and the fair market value of any investment made hereunder, it being understood and agreed that the sole obligation of the Trustee with respect to investments of funds hereunder shall be to invest the moneys received by the Trustee pursuant to the instructions of the Borrower given in accordance with Section 4.07 hereof. The Trustee shall have no responsibility for determining whether or not the investment made pursuant to the direction of the Borrower or any of the instructions received by the Trustee under this Section 4.09 comply with the requirements of the Rebate Provisions and shall have no responsibility for monitoring the obligations of the Borrower or the Issuer for compliance with the provisions of this Indenture with respect to the Rebate Provisions.

(c) Any moneys remaining in the Rebate Fund after redemption and payment of all of the Bonds and after payment in full to the United States of the Rebate Amount with respect to the Bonds in accordance with the terms hereof and all amounts owing by the Borrower under the Loan Agreement, shall, upon the written request of the Borrower, be distributed by the Trustee to the Borrower.

The Trustee shall retain all records relating to the Rebate Fund and the Rebate Amount until at least 6 years after the defeasance or payment in full of the Bonds.

Notwithstanding any of the provisions of this Section, the Trustee shall have no duty or responsibility with respect to the Rebate Fund except to follow the specific written instructions of the Borrower and to maintain records as provided herein.

**Section 4.10 Tax Covenants.** The Issuer (to the extent within its power or direction) shall not knowingly and intentionally use or permit the use of any proceeds of Bonds or any other funds of the Issuer, directly or indirectly, in any manner, and shall not knowingly and intentionally take or permit to be taken any other action or actions, which would adversely affect the exclusion of the interest on any Bond from gross income of the holder thereof for federal income tax purposes.

The Trustee agrees to comply with the provisions of any statute, regulation or ruling that may apply to it as Trustee hereunder and relating to reporting requirements or other requirements necessary to preserve the exclusion from federal gross income of the interest on the Bonds. If the Borrower shall fail to perform its obligations as described in Section 4.09, the Trustee from time to time may, but shall not be required to, cause a firm of attorneys, consultants or independent accountants or an investment banking firm to supply the Trustee, on behalf of the Issuer and the Borrower, with such information as the Trustee, on behalf of the Issuer, may reasonably request in order to determine in a manner reasonably satisfactory to the Trustee, on behalf of the Issuer, all matters relating to (a) the actuarial yields on the Bonds as the same may relate to any data or conclusions necessary to verify that the Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Code, and (b) compliance with the rebate requirements

of Section 148(f) of the Code. Payment for costs and expenses incurred in connection with supplying the foregoing information shall be paid by the Borrower.

Notwithstanding any provision of this Section, if the Borrower provides to the Trustee and the Issuer an Opinion of Bond Counsel to the effect that any action required under this Section is no longer required, or to the effect that some further action is required, to maintain the exclusion of interest on the Bonds from federal gross income, the Trustee and the Issuer may conclusively rely on such opinion in complying with the provisions of this Indenture, and the covenants under this Indenture may be deemed to be modified to that extent.

**Section 4.11 Change in Law.** To the extent that published rulings of the Internal Revenue Service, or amendments to the Code or the Regulations modify the covenants of the Issuer that are set forth in this Indenture or that are necessary for interest on the Bonds to be, or to remain, excludable from gross income for federal income tax purposes, the Issuer, upon receiving the written Opinion of Bond Counsel to such effect, will comply, at the expense of the Borrower, with such modifications and direct the Trustee to take such action as may be required to comply with such modifications.

**Section 4.12 Nonpresentment of Bonds.** In the event that any Bonds shall not be presented for payment when the principal thereof or interest thereon becomes due, either at maturity, the date fixed for redemption thereof, or otherwise, if funds sufficient for the payment thereof shall have been deposited into the Debt Service Fund or Redemption Fund or otherwise made available to the Trustee for deposit therein as provided herein, all liability of the Issuer to the owner or owners thereof for the payment of such Bonds shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability for interest thereon, for the benefit of the owner or owners of such Bonds, who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his or their part under this Indenture or on, or with respect to, said Bond, and all such funds shall remain uninvested. If any Bond shall not be presented for payment within the period of two years following the date of final maturity of such Bond, the Trustee shall, upon request in writing by the Borrower, return such funds to the Borrower free of any trust or lien and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Borrower. In either event, the Trustee shall have no further responsibility with respect to such moneys or payment of such Bonds. Thereafter, the Bondholders shall be entitled to look only to the Borrower for payment, and then only to the extent of the amount so repaid by the Trustee. The Borrower shall not be liable for any interest on any sums paid to it.

## ARTICLE V PARTICULAR COVENANTS

**Section 5.01 Payment of Principal and Interest.** The Issuer shall pay or cause to be paid the principal or Redemption Price of and interest on every Bond on the date, at the place and in the manner provided herein and in the Bonds according to the true intent and meaning thereof; provided, however, that the Bonds are limited obligations of the Issuer the principal or Redemption Price of and interest on which are payable solely from the Trust Estate.

Neither the Issuer, the State of Florida, nor any political subdivision of the State of Florida, shall in any event be liable for the payment of the principal of, premium, if any, or interest on any of the Bonds or for the performance of any pledge, obligation or agreement undertaken by the Issuer except to the extent that the moneys pledged herein are sufficient therefor. No Owner of any Bonds has the right to compel any exercise of taxing power of the State of Florida or any political subdivision thereof, to pay the Bonds or the interest thereon, and the Bonds do not constitute an indebtedness of the Issuer, the State of Florida or any political subdivision of the State of Florida or a loan of credit of any of the foregoing within the meaning of any constitutional or statutory provision. The Issuer has no taxing power.

**Section 5.02 Performance of Covenants, Undertakings and Agreements; Representations as to Authorization and Validity of Bonds.** The Issuer shall faithfully perform at all times all of its covenants, undertakings and agreements contained in the Loan Agreement and any Bond executed, authenticated and delivered under this Indenture or in any proceedings of the Issuer pertaining thereto.

The Issuer represents and covenants that: (i) it is duly authorized under the Constitution and laws of the State of Florida, particularly the Enabling Act, to issue the Bonds, to enter into the Loan Agreement and to pledge the Revenues in the manner and to the extent set forth in this Indenture; (ii) all action on its part for the issuance of the Bonds has been duly and effectively taken; and (iii) the Bonds are and will be valid and binding limited obligations of the Issuer according to their terms, except to the extent that the enforceability thereof may be limited by bankruptcy or other laws affecting creditors' rights generally.

**Section 5.03 Liens, Encumbrances and Charges.** The Issuer shall not create and, to the extent Revenues are received from the Borrower for the discharge thereof, shall not permit the existence of any lien, encumbrance or charge upon the Revenues or upon any other property pledged under this Indenture, except the pledge created for the security of the Bonds and except as otherwise provided herein. To the extent Revenues or other moneys are received from the Borrower, the Issuer will cause to be discharged, or will make adequate provisions to satisfy and discharge, within sixty (60) days after the same shall accrue, all lawful claims and demands that, if unpaid, might by law become a lien upon any Revenues or such other property; provided, however, that nothing contained in this Section shall require the Issuer to pay or cause to be discharged, or make provision for, any such lien, encumbrance or charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings and nothing herein shall require the Issuer to expend any funds other than those in, or derived from, the Trust Estate.

**Section 5.04 Accounts and Audits.** The Trustee shall keep proper books of records and accounts (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Bonds, the Project, the Refunded Bonds and the funds and accounts created by this Indenture, which books and accounts shall be subject to the inspection of the Issuer, the Borrower or any Bondholder or his representative duly authorized in writing.

**ARTICLE VI  
CONCERNING THE TRUSTEE**

**Section 6.01 Trustee Entitled to Indemnity.** The Trustee shall be under no obligation to institute any suit, or to undertake any proceeding under this Indenture, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability except as a result of its own negligence or willful misconduct. Nevertheless, the Trustee may begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as the Trustee, without indemnity, and in such case the Borrower shall reimburse the Trustee for all reasonable costs and expenses, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith. If the Borrower shall fail to make such reimbursement, the Trustee may reimburse itself from any moneys in its possession under the provisions of this Indenture and shall be entitled to a preference therefor over any Bonds Outstanding hereunder.

**Section 6.02 Responsibilities of Trustee.** The recitals contained in this Indenture and in the Bonds shall be taken as the statements of the Issuer or the Borrower (as the case may be) and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or the Bonds or with respect to the security afforded by this Indenture, and the Trustee shall incur no liability with respect thereto. Except as otherwise expressly provided in this Indenture, the Trustee shall have no responsibility or duty with respect to: (i) the issuance of the Bonds for value; (ii) the application of the proceeds thereof, except to the extent that such proceeds are received by it in its capacity as Trustee; or (iii) the application of any moneys paid to the Issuer or others in accordance with this Indenture except as to the application of any moneys paid to it in its capacity as Trustee.

The duties and obligations of the Trustee shall be determined by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture. The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty.

The Trustee shall not be liable for any action taken or omitted by it in the performance of its duties under this Indenture except for its own negligence or willful misconduct.

**Section 6.03 Property Held in Trust.** All moneys and securities held by the Trustee at any time pursuant to the terms of this Indenture shall be held by the Trustee in trust for the purposes and under the terms and conditions of this Indenture.

**Section 6.04 Trustee Protected in Relying on Certain Documents.** The Trustee may rely upon any resolution, order, notice, request, consent, waiver, certificate, statement, affidavit, requisition, bond or other document provided to the Trustee in accordance with the terms of this Indenture that it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Indenture, or upon the written opinion of any counsel, architect, engineer, insurance consultant, management consultant or accountant reasonably believed by the Trustee to be qualified in relation to the subject matter; and the Trustee shall be under no duty to make

any investigation or inquiry into any statements contained or matters referred to in any such instrument. The Trustee may consult with counsel, who may or may not be Bond Counsel, counsel to the Issuer or counsel to the Borrower, and may in all cases pay reasonable compensation to all attorneys, agents and receivers as may reasonably be employed in connection with the trust hereof. The written opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee in good faith and in accordance therewith.

Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Indenture, such matter may be deemed to be conclusively proved and established by a Certificate of the Borrower, unless other evidence in respect thereof be hereby specifically prescribed. Such certificate shall be full warrant for any action taken or suffered in good faith under the provisions hereof, but in its discretion the Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by the Issuer or the Borrower to the Trustee shall be sufficiently executed if executed in the name of the Issuer or the Borrower, respectively, by an Authorized Officer.

The Trustee shall not be under any obligation to see to the recording or filing of this Indenture, or otherwise to the giving to any person of notice of the provisions hereof except as expressly required herein or in the Loan Agreement.

**Section 6.05 Compensation.** Unless otherwise provided by contract with the Trustee, the Borrower shall pay to the Trustee, from time to time, reasonable compensation for all services rendered by it hereunder, including its services as Registrar, together with all its reasonable expenses (including reasonable fees of its counsel), charges and other disbursements and those of its counsel, agents and employees, incurred in and about the administration and execution of the trusts hereby created and the exercise of its powers and the performance of its duties hereunder, and the Trustee shall have a lien therefor on any and all funds (other than those held in the Rebate Fund) at any time held by it hereunder prior to any Bonds Outstanding. The Borrower shall indemnify and save the Trustee harmless against any expenses and liabilities that the Trustee may incur in the exercise and performance of its powers and duties hereunder that are not the result of its negligence or willful misconduct. None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if in the reasonable judgment of the Trustee there is reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to it. If the Borrower shall fail to make any payment required by this Section, the Trustee may make such payment from any moneys in its possession under the provisions of this Indenture and shall be entitled to a preference therefor over any Bonds Outstanding hereunder.

**Section 6.06 Permitted Acts.** The Trustee and its directors, officers, employees or agents may become the owner of or may in good faith buy, sell, own, hold and deal in Bonds and may join in any action that any holder of Bonds may be entitled to take as fully and with the same rights as if it were not the Trustee. The Trustee may act as depository, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, the Issuer

or the Borrower or any committee formed to protect the rights of holders of Bonds or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Indenture, whether or not such committee shall represent the holders of a majority of the Bonds.

**Section 6.07 Resignation of the Trustee.** The Trustee may at any time resign and be discharged of its duties and obligations hereunder by giving not fewer than 30 days' Notice, specifying the date when such resignation shall take effect, to the Borrower and each Holder of any Outstanding Bonds. Such resignation shall take effect upon the appointment of a successor by the Borrower or the holders of Bonds as provided in Section 6.09 and the acceptance of such appointment by such successor.

**Section 6.08 Removal of Trustee.** The Trustee may be removed at any time, upon 30 days' notice, by (i) the holders of a majority of the Bonds by an instrument or concurrent instruments in writing signed and acknowledged by such holders or by their attorneys-in-fact, duly authorized and delivered to the Issuer, the Borrower and the Trustee or (ii) so long as no Event of Default shall have occurred and be continuing, the Borrower. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of this Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Borrower or of the holders of not less than ten percent of the Bonds.

**Section 6.09 Successor Trustee.** If the Trustee shall be dissolved or become incapable of acting, or shall be adjudged as bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, the position of the Trustee hereunder shall thereupon become vacant.

If the position of Trustee shall become vacant for any reason, a successor Trustee may be appointed (i) so long as no Event of Default shall have occurred and be continuing, by the Borrower or (ii) in any other case, by the holders of a majority in aggregate principal amount of the Bonds.

Copies of any instrument of the Borrower providing for any such appointment shall be delivered by the Borrower to the Issuer, the Trustee so appointed and the predecessor Trustee. The successor Trustee shall mail notice of any such appointment to each Holder of any Outstanding Bonds within 30 days after such appointment.

If in a proper case no appointment of a successor Trustee shall be made within 30 days after the giving by any Trustee of notice of resignation in accordance with Section 6.07 or after the occurrence of any other event requiring or authorizing such appointment, the Borrower, the Trustee or any holder of Bonds may apply to any court of competent jurisdiction for the appointment of such a successor, and the court may thereupon, after such notice, if any, as the court may deem proper, appoint such successor.

Any successor Trustee appointed under the provisions of this Section shall be a commercial bank or trust company or national banking association (i) having a capital and surplus aggregating at least \$50,000,000, if there be such a commercial bank or trust company or national banking association willing and able to accept the appointment on reasonable and

customary terms, and (ii) authorized by law to perform all the duties of the Trustee required by this Indenture.

**Section 6.10 Transfer of Rights and Property to Successor Trustee.** Any successor Trustee appointed under the provisions of Section 6.09 shall execute, acknowledge and deliver to its predecessor, the Issuer and the Borrower an instrument in writing accepting such appointment, and thereupon such successor shall become fully vested with all moneys, estates, properties, rights, immunities, powers, duties, obligations and trusts of its predecessor hereunder without any further act, deed or conveyance, with like effect as if originally appointed as Trustee.

However, the Trustee then ceasing to act shall nevertheless, on request of the Issuer, the Borrower or such successor, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor all the rights, immunities, powers and trusts of such Trustee and all the right, title and interest of such Trustee in and to any property held by it hereunder, and shall pay over, assign and deliver to such successor any moneys or other properties subject to the trusts and conditions herein set forth.

Should any deed, conveyance or instrument in writing from the Issuer be required by such successor for more fully and certainly vesting in and confirming to it any such moneys, estates, properties, rights, powers, duties or obligations, any and all such deeds, conveyances and instruments in writing, on request and so far as may be authorized by law, shall be executed, acknowledged and delivered by the Issuer.

**Section 6.11 Merger, Conversion or Consolidation of Trustee.** Any company into which the Trustee may be merged or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business shall be the successor to such Trustee hereunder, without any further act, deed or conveyance; provided that such company shall be a commercial bank or trust company or national banking association qualified to be a successor to such Trustee under the provisions of Section 6.09.

**Section 6.12 Trustee Authorized to Vote Series 2019 Note.** The Trustee, as assignee of the Series 2019 Note, shall be entitled to vote the Series 2019 Note for all purposes of the Master Trust Indenture upon the direction of a majority in aggregate principal amount of the Bonds then Outstanding.

**Section 6.13 Appointment of Co-Trustee.** It is the purpose hereof that there shall be no violation of any law of any jurisdiction (including particularly the laws of the State of Florida) denying or restricting the right of banking corporations or associations to transact business as trustee in such jurisdiction. It is recognized that in case of litigation hereunder and in particular in case of the enforcement of this Indenture upon the occurrence of an Event of Default, it may be necessary that the Trustee appoint an additional individual or institution as a separate Trustee or co-trustee. The following provisions of this Section are adapted to these ends.

Upon the incapacity or lack of authority of the Trustee, by reason of any present or future law of any jurisdiction, to exercise any of the rights, powers and trusts herein granted to the

Trustee or to hold a security interest in the Trust Estate or to take any other action which may be necessary or desirable in connection therewith, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in a separate Trustee or co-trustee appointed by the Trustee but only to the extent necessary to enable the separate Trustee or co-trustee to exercise such rights, powers and trusts, and every agreement and obligation necessary to the exercise thereof by such separate Trustee or co-trustee shall run to and be enforceable by either of them.

Should any deed, conveyance or instrument in writing from the Issuer be required by the separate Trustee or co-trustee so appointed by the Trustee in order to more fully and certainly vest in and confirm to him or it such properties, rights, powers, trusts, duties and obligations, any and all such deeds, conveyances and instruments shall, on request, be executed, acknowledged and delivered by the Issuer at the sole expense of the Borrower. In case any separate Trustee or co-trustee, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate Trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new Trustee or successor to such separate Trustee or co-trustee.

**Section 6.14 Brokerage Requirements.** The Issuer and the Borrower acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Issuer or the Borrower the right to receive individual confirmations of security transactions at an additional cost, as they occur, the Issuer and the Borrower specifically waive receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Issuer and the Borrower periodic cash transaction statements that include detail for all investment transaction made by the Trustee hereunder.

## ARTICLE VII EVENTS OF DEFAULT AND REMEDIES

**Section 7.01 Events of Default.** Each of the following events is hereby declared to constitute an event of default hereunder (an "Event of Default"):

- (a) payment of the principal or Redemption Price of any Bond shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption, acceleration or otherwise; or
- (b) payment of interest on any Bond shall not be made when the same shall become due and payable; or
- (c) any Event of Default under and as defined in the Loan Agreement shall have occurred and be continuing; or
- (d) the Issuer shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in any Bond or in this Indenture on the part of the Issuer to be performed, which default shall continue for 60 days after written Notice specifying such default and requiring the same to be remedied shall have been given to the Issuer and the Borrower by the Trustee, which may give such notice in its discretion and shall give such notice at the Request of the holders of not less than a majority in aggregate principal

amount of the Outstanding Bonds; provided, however, that if the Borrower shall proceed to take any curative action that, if begun and prosecuted with due diligence, cannot be completed within a period of 60 days, such event shall not constitute an Event of Default for such period as shall be necessary to enable the Borrower to complete such curative action through the exercise of due diligence.

A default under this Indenture with respect to the Bonds shall not be or constitute a default under any other resolution or indenture adopted by the Issuer or with respect to any other indebtedness of the Issuer.

Any waiver of an "Event of Default" under the Loan Agreement, Series 2019 Note or the Master Trust Indenture which occurs or results in an Event of Default hereunder and a rescission and annulment of its consequences under the Loan Agreement, Series 2019 Note or the Master Trust Indenture, as the case may be, shall constitute a waiver of the corresponding Event of Default under this Indenture and a rescission and annulment of the consequences thereof, and the Trustee shall promptly give written notice of such waiver, rescission and annulment to the Issuer and the Borrower, and notice to all holders of Bonds (in the same manner as provided in Section 7.11 hereof); but no such waiver, rescission or annulment shall extend to or affect any subsequent event of default or impair any right or remedy consequent thereon.

**Section 7.02 Acceleration of Maturity.** Upon the happening and continuance of any Event of Default (except for a default with respect to Section 5.01 of the Loan Agreement or under the Tax Compliance Agreement), then and in every such case the Trustee may, and upon the Request of holders of not less than a majority in aggregate principal amount of the Outstanding Bonds shall, by a Notice to the Issuer and the Borrower, declare the principal of all of the Outstanding Bonds to be due and payable.

Upon the giving of notice of such declaration, such principal shall become and be immediately due and payable, anything in the Bonds or in this Indenture to the contrary notwithstanding. At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Indenture, the Trustee may (but in the event that such declaration has been made upon the request of the Bondholders, only with the written consent of not less than a majority in aggregate principal amount of the Outstanding Bonds), by Notice to the Issuer and the Borrower, annul such declaration and its consequences if: (i) moneys shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds (except the interest accrued on such Bonds since the last interest payment date) and the principal of all matured Bonds (except the principal of any Bonds due only as a result of such declaration); (ii) sufficient moneys shall have accumulated and be available to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee; and (iii) every other default in the observance or performance of any covenant, condition or agreement contained in the Bonds or in this Indenture and the Loan Agreement of which the Trustee has actual knowledge shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

Nothing in this Section shall be construed to prohibit the Borrower from taking any action, to the extent permitted by applicable law, to remedy any Event of Default.

**Section 7.03 Enforcement.** Subject to Section 6.01, upon the happening and continuance of any Event of Default, then and in every such case the Trustee may proceed, and upon the Request of the holders of not less than a majority of the principal amount of Bonds Outstanding shall proceed, to protect and enforce its rights and the rights of the holders of Bonds under the laws of the State of Florida and under this Indenture by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained herein or therein, or in aid or execution of any power herein or therein granted, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under this Indenture, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Issuer or from the Borrower, as the case may be, for principal of or interest on Bonds or otherwise under any of the provisions of this Indenture or of any Bonds, with interest on overdue payments of principal at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the holders of Bonds, and to recover and enforce judgment or decree against the Issuer, but solely as provided herein and in the Bonds and from the sources and moneys provided herein and in the Bonds, for any portion of such amounts remaining unpaid and to collect in any manner provided by law the moneys adjudged or decreed to be payable.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under the provisions of this Indenture.

**Section 7.04 Priority of Payments Following Default.** If at any time there shall have occurred and be continuing an Event of Default, after payment of all amounts owing to the Trustee under this Indenture and the Issuer with respect to Section 3.02(f) and 3.02(g) of the Loan Agreement, amounts held by the Trustee hereunder together with any moneys thereafter becoming available for such purpose, whether through exercise of the remedies provided in this Article or otherwise, shall be applied as follows:

(a) unless the principal of all Outstanding Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST: to the payment to the persons entitled thereto of all installments of interest then due on the Bonds Outstanding, in the order in which such installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment of such installment, ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference, except as to any difference in the respective rates of interest specified in such Bonds; and

SECOND: to the payment to the persons entitled thereto of the unpaid principal of any Outstanding Bonds that shall have become due and payable, in the order of the due dates of such Bonds, with interest upon the principal amount of such Bonds from the respective dates upon which they shall have become due and payable and, if the amount available shall not be sufficient to pay in full the principal of such Bonds due and payable on any particular date, together with such interest, then first to the payment of such interest, ratably, according to the amount of interest due on such date, and then to the payment of such principal, ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or preference, except as to any difference in the respective rates of interest specified in such Bonds; and

(b) if the principal of all Outstanding Bonds shall have become due by their terms or the principal of all Outstanding Bonds subject to acceleration shall have become due and payable by a declaration of acceleration, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon such Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds.

Subject to the following paragraph and the other provisions of this Indenture, unless the Trustee shall be otherwise directed in accordance with Section 7.06 hereof, following an Event of Default amounts on deposit in the Project Fund, the Debt Service Fund and the Redemption Fund constituting the proceeds of Bonds and investment earnings on such proceeds shall be applied solely to the payment of amounts due on the Bonds.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust for the benefit of all holders of Bonds shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Issuer, to any holder of any Bonds or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of this Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an interest payment date for the Bonds unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal of the Bonds to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date; provided, however, that the provisions of this paragraph shall be subject in all respects to the provisions of the Bonds with respect to the payment of defaulted interest on the Bonds. The Trustee shall not be required to make payment to the holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement.

**Section 7.05 Discontinuance of Proceedings.** In case any proceedings taken by the Trustee or the holders of the Bonds on account of any default with respect to the Bonds shall

have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or such holders, then and in every such case the Issuer, the Trustee and the holders of Bonds shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

**Section 7.06 Majority of the Holders May Control Proceedings.** Anything in this Indenture to the contrary notwithstanding, the holders of a majority of the Outstanding principal amount of the Bonds shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under this Indenture; provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to holders of Bonds not parties to such direction.

**Section 7.07 Restrictions upon Action by Individual Holders.** No holder of any Bonds shall have any right to institute any suit, action or proceeding in equity or at law on any Bonds for the execution of any trust hereunder or for any other remedy hereunder unless (i) such holder previously shall have given to the Trustee Notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, and (ii) the holders of not less than a majority of the Outstanding principal amount of the Bonds shall have made Request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by this Indenture or to institute such action, suit or proceeding in its or their name, and (iii) there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of this Indenture or to any other remedy hereunder; provided, however, that notwithstanding the foregoing provisions of this Section and without complying therewith, the holders of not less than a majority of the Outstanding principal amount of the Bonds may institute any such suit, action or proceeding in their own names for the benefit of all holders of outstanding Bonds.

It is understood and intended that, except as otherwise provided above, no one or more holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or to enforce any right hereunder except in the manner herein provided, that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all holders of Bonds and that any individual right of action or other right given by law to one or more of such holders is restricted by this Indenture to the rights and remedies herein provided.

**Section 7.08 Actions by Trustee.** All rights of action under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of such Bonds or the production thereof at the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all holders of outstanding Bonds, all subject to the provisions of this Indenture.

**Section 7.09 No Remedy Exclusive.** No remedy herein conferred upon or reserved to the Trustee or to the holders of Bonds is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

**Section 7.10 No Delay or Omission Construed as a Waiver; Waiver of Default.** No delay or omission of the Trustee or of any holder of Bonds to exercise any right or power accruing upon any default shall impair any such right or power, nor shall any such delay or omission be construed to be a waiver of any such default or an acquiescence therein. Every power and remedy given by this Article to the Trustee and the holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee may, and upon Request of the holders of not less than a majority of the Outstanding principal amount of the Bonds shall, waive any default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of this Indenture or before the completion of the enforcement of any other remedy under this Indenture; but no such waiver shall extend to or affect any other existing or any subsequent default or impair any rights or remedies consequent thereon.

**Section 7.11 Notice of Default.** The Trustee shall mail to the Issuer and all holders of Bonds (with a copy to the Borrower) notice of the occurrence of any Event of Default of which the Trustee shall have actual knowledge within 30 days after such Event of Default shall have occurred and be known to it. In addition, upon an Event of Default hereunder, the Trustee will promptly give written notice thereof to the Issuer, the Borrower and the Master Trustee, setting forth the nature of the Event of Default and may direct the Master Trustee to accelerate all amounts payable under the Series 2019 Note upon an acceleration of the Bonds in accordance with Section 7.02 hereof.

## ARTICLE VIII MODIFICATION OR AMENDMENT OF INDENTURE AND LOAN AGREEMENT

**Section 8.01 Modification or Amendment Without Consent.** Without notice to or the consent of the holders of Bonds, the Issuer and the Trustee may at any time or from time to time enter into a Supplemental Indenture supplementing, modifying or amending this Indenture or any Supplemental Indenture for one or more of the following purposes:

(a) to grant to or confer upon the Trustee for the benefit of the holders of Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Trustee for the benefit of such holders;

(b) to surrender any right, power or privilege reserved to or conferred upon the Issuer by this Indenture;

(c) to confirm, as further assurance, any pledge under, and the subjection to any lien on, or claim or pledge of (whether created or to be created by this Indenture), the Revenues;



(d) to cure any ambiguity or to cure or correct any defect or inconsistent provisions contained in this Indenture or to make such provisions in regard to matters or questions arising under this Indenture as may be necessary or desirable and not contrary to or inconsistent with this Indenture and not prejudicial in any material respect to the rights of the holders of the Bonds Outstanding at the date as of which such change shall become effective;

(e) to permit the qualification of this Indenture or any Supplemental Indenture under the Trust Indenture Act of 1939 or any other similar federal statute now or hereafter in effect or under any state blue sky law and, in connection therewith, to add to this Indenture or any Supplemental Indenture such other terms, conditions and provisions as may be permitted or required by such federal statute or state blue sky law to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America;

(f) to obtain or to maintain any ratings on the Bonds from any Rating Agency;

(g) to make any other change in this Indenture which the Trustee determines shall not prejudice in any material respect the rights of the holders of the Bonds Outstanding at the date as of which such change shall become effective;

(h) to preserve the excludability from gross income for federal income tax purposes of the interest paid on the Bonds theretofore issued;

(i) to evidence the appointment of a separate co-trustee or the succession of a new Trustee hereunder; or

(j) to correct any description of, or to reflect changes in, any of the properties comprising the Trust Estate.

No modification of this Indenture pursuant to this Section shall be made without the prior written consent of the Borrower.

**Section 8.02 Supplemental Indentures Requiring Consent of Holders of the Bonds.** In addition to Supplemental Indentures permitted by Section 8.01, with the prior written consent of the Borrower and the holders of a majority in principal amount of the Bonds affected thereby, the Issuer and the Trustee may at any time and from time to time enter into Supplemental Indentures amending or supplementing this Indenture, any Supplemental Indenture or any Bond to modify any of the provisions thereof or to release the Issuer or the Borrower from any of the obligations, covenants, agreements, limitations, conditions or restrictions therein contained; provided, however, that nothing contained herein shall permit (i) a change in any terms of redemption or purchase of any Bond, the due date for the payment of the principal of or interest on any Bond or any reduction in the principal, Redemption Price or interest rate on any Bond without the consent of the Holder of such Bond or (ii) a change in privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (iii) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indentures or any modifications or waivers of the provisions of this Indenture or the Loan Agreement, or (iv) the deprivation of any of the Owners of any Outstanding Bonds of the lien created by this Indenture on the Trust Estate, or (v) except as expressly permitted hereby, the creation of a claim or lien upon, or a pledge of, the Trust

Estate ranking prior to or on a parity with the claim, lien and pledge created by this Indenture, without the unanimous consent of the holders of all Outstanding Bonds.

**Section 8.03 Notation on Bonds.** Bonds authenticated and delivered after the effective date of any Supplemental Indenture may, and if the Trustee or the Borrower so determines, shall, bear a notation by endorsement or otherwise in form approved by the Borrower and the Trustee of such action. If the Borrower or the Trustee shall so determine, new Bonds modified as necessary, in the opinion of the Trustee and the Borrower, to conform to such Supplemental Indenture shall be prepared, authenticated and delivered and, upon demand of the Holder of any Outstanding Bond and surrender of such Bond to the Trustee, such Bond shall be exchanged, without cost to such Holder, for a new Bond so modified.

**Section 8.04 Amendment of Loan Agreement.**

(a) Without notice to or the consent of the holders of Bonds, the Trustee may at any time and from time to time enter into any amendment, change or modification of the Loan Agreement that is (i) required or permitted by the provisions of the Loan Agreement, or (ii) required to cure any ambiguity or formal defect or omission therein, or (iii) required to obtain or maintain any ratings on the Bonds from any Rating Agency or (iv) not prejudicial in any material respect to the rights of the holders of the Bonds in the judgment of the Trustee, or (v) to conform the provisions of the Loan Agreement to any changes made to this Indenture pursuant to Section 8.01 or 8.02 hereof.

(b) Except as provided in paragraph (a) of this Section, the Trustee shall not enter into any amendment, change or modification of the Loan Agreement without the prior written consent of the Borrower and the Holders of a majority of the Bonds Outstanding at the effective date of such amendment, change or modification.

**Section 8.05 Consent of the Borrower.** Anything herein to the contrary notwithstanding, a Supplemental Indenture under this Article shall not become effective unless and until the Borrower shall have consented to the execution and delivery of such Supplemental Indenture. In this regard, the Trustee shall cause notice of the proposed execution of any such Supplemental Indenture together with a copy of the proposed supplemental indenture to be mailed to the Borrower at least 15 Business Days prior to the proposed date of execution and delivery of any such Supplemental Indenture, which requirement may be waived in writing by the Borrower.

**Section 8.06 Execution of Amendments and Supplements by Trustee.** The Trustee shall not be obligated to sign any amendment or supplement to this Indenture or the Bonds pursuant to this Article if the amendment or supplement, in the judgment of the Trustee, could adversely affect the rights, duties, liabilities, protections, privileges, indemnities or immunities of the Trustee. In signing an amendment or supplement, the Trustee shall be entitled to receive, and shall be fully protected in relying on, an opinion of counsel (which may be Bond Counsel) stating that such amendment or supplement is authorized by this Indenture, and will not adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes.

**ARTICLE IX  
DEFEASANCE**

**Section 9.01** Defeasance.

(a) If the Issuer or the Borrower shall pay or cause to be paid the principal or Redemption Price of and interest on all Bonds at the times and in the manner stipulated therein and in this Indenture, then the pledge of any Revenues and other property hereby pledged to the Bonds and all other rights granted hereby to the holders of the Bonds shall be discharged and satisfied. In such event, upon the request of the Issuer or the Borrower, the Trustee shall execute and deliver to the Issuer and the Borrower all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay or deliver to the Borrower, or to such officer, board or body as may then be entitled by law to receive the same, all property held by it pursuant to this Indenture (other than any moneys and securities required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption).

(b) A Bond or any maturity or portion of a maturity thereof shall be deemed to have been paid within the meaning of and with the effect expressed in this Section if (i) money for the payment or redemption of such Bond or maturity or portion thereof shall be held by the Trustee (through deposit of moneys for such payment or redemption or otherwise, regardless of the source of such moneys), whether at or prior to the maturity or the redemption date of such Bond or maturity or portion thereof, or (ii) if the maturity or redemption date of such Bond or maturity or portion thereof shall not have arrived, provision shall have been made, by deposit of moneys with the Trustee or other method satisfactory to the Trustee, for the payment of the principal or Redemption Price of and interest on such Bond or maturity or portion thereof on the due dates for such payments, by deposit with the Trustee (or other method satisfactory to the Trustee) of money and Defeasance Obligations, the principal of and the interest on which when due will provide sufficient moneys for such payments and the Borrower shall have made provision, satisfactory to the Trustee, for the mailing to the holder of such Bond of a notice that such moneys are so available for such payment; provided, however, that if such Bond or maturity or portion thereof is to be redeemed prior to the maturity thereof, the Borrower shall have taken all action necessary to redeem such Bond or maturity or portion thereof and notice of such redemption shall have been duly given or provisions satisfactory to the Trustee shall have been made for the giving of such notice.

Before accepting Defeasance Obligations to be deposited pursuant to this Section 9.01, the Trustee shall require that the Borrower furnish to it and the Issuer a certificate of an independent certified public accounting firm of national reputation or other verification agent to the effect that such deposit of Defeasance Obligations together with investment earnings and other moneys on deposit therein will be sufficient to defease the Bonds as provided in this Section 9.01. The Trustee and the Issuer shall be fully protected in relying upon the opinions and certificates required to be furnished to it under this Section in accepting or using any moneys deposited pursuant to this Article IX.

(c) Any moneys deposited with the Trustee in accordance with the terms and covenants of this Indenture, in order to redeem or pay any Bond in accordance with the provisions of this Indenture, and remaining unclaimed by the registered owner of the Bond for six (6) years after the date fixed for redemption or of maturity, as the case may be, shall, so long

as no Event of Default shall have occurred and be continuing, be repaid by the Trustee to the Borrower; and thereafter the registered owner of the Bond shall be entitled to look only to the Borrower for payment thereof; provided, however, that the Trustee, before being required to make any such repayment, shall, at the expense of the Borrower, mail to the registered owner thereof at its address, as the same shall last appear on the Register, a notice to the effect that said moneys have not been so applied and that after the date named in said notice any unclaimed balance of said moneys then remaining shall be returned to the Borrower.

**ARTICLE X  
MISCELLANEOUS**

**Section 10.01** Further Assurances. So far as it may be authorized by law, the Issuer shall pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights and Revenues and other property hereby pledged or assigned, or intended so to be, or which the Issuer may hereafter become bound to pledge or assign.

**Section 10.02** Consent of Holders; Evidence of Signatures of Holders and Ownership of Bonds. Any request, direction, consent or other instrument which this Indenture may require or permit to be signed and executed by the holders of the Bonds may be in one or more instruments of similar tenor, and shall be signed or executed by such holders in person, by their attorneys duly appointed in writing or by their legal representatives. Except as otherwise expressly provided herein, proof of the execution of any such instrument or of an instrument appointing any such attorney, or the holding by any person of such Bonds shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and the Issuer with regard to any action taken by either under such instrument if made in the following manner, but the Trustee may nevertheless in its discretion require further or other proof in any case in which it deems such further or other proof desirable:

(a) the fact and date of the execution by any holder of Bonds or his attorney or legal representative of such instrument may be proved by the certificate (which need not be acknowledged or verified) of an officer of a bank or trust company satisfactory to the Trustee or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer; and the authority of any person executing any such instrument on behalf of a corporate holder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary, its cashier or an assistant cashier; and

(b) the ownership of Bonds and the amount, numbers and other identification and date of holding the same shall be proved by the registration books established with respect to such Bonds.

Any request, direction, consent or vote of the owner of any Bonds given in accordance with this Indenture shall bind all future owners of such Bonds with respect to

anything done or suffered to be done or omitted to be done by the Issuer or the Trustee in accordance therewith.

**Section 10.03 Preservation by Trustee and Inspection of Documents.** All documents received by the Trustee from the Issuer, the holders of Bonds or otherwise under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Issuer, the Borrower, any holder of Bonds and their agents and representatives, any of whom may make copies thereof.

**Section 10.04 Moneys and Funds Held for Particular Bonds.** Amounts held by the Trustee for the payment of the principal or Redemption Price of and interest on Bonds due on any date shall, pending such payment, be set aside and held in trust by it for the holders of such Bonds and, for the purposes of this Indenture, such principal or Redemption Price of and interest on such Bonds, shall no longer be considered to be unpaid.

**Section 10.05 No Recourse on Bonds.** No recourse shall be had for the payment of the principal or Redemption Price of and interest on the Bonds or for any claims based thereon or on this Indenture against any member or other officer of the Issuer, all such liability, if any, being expressly waived and released by every Holder of Bonds by the acceptance of such Bonds.

**Section 10.06 Issuer Protected in Acting in Good Faith.** In the exercise of the powers of the Issuer and its board members, officers, employees and agents under this Indenture or the Loan Agreement, the Issuer and its board members, officers, employees and agents shall not be accountable to the Borrower, the Trustee or any holder of any Bonds for any action taken or omitted by it or its board members, officers, employees and agents in good faith and believed in good faith by it or them to be authorized or within the discretion or rights or powers conferred hereby or by the Loan Agreement.

No recourse shall be had by the Borrower, the Trustee or any holder of any Bonds for any claims based on this Indenture, the Loan Agreement or on any Bond, against any board members, officer, employee or agent of the Issuer alleging personal liability on the part of such person unless such claims are based upon the bad faith, fraud or deceit of such person.

**Section 10.07 Severability of Invalid Provision.** If any covenant or agreement provided in this Indenture on the part of the Issuer or the Trustee to be performed should be contrary to law, then such covenant or agreement shall be null and void and shall in no way affect the validity of the other provisions of this Indenture or of the Bonds.

**Section 10.08 Notices.** All Notices required to be given or authorized to be given pursuant to this Indenture shall be in writing and shall be delivered personally or sent by registered or certified mail, postage prepaid, addressed as follows (or to such other address as may be designated by Notice hereunder):

In the case of the Issuer:

Higher Educational Facilities Financing Authority  
542 East Park Avenue  
Tallahassee, Florida 33201  
Attn: Ben Donatelli

In the case of the Borrower:

Saint Leo University Incorporated  
33701 SR 52  
St. Leo, Florida 33574  
Attn: Chief Financial Officer

In the case of the Trustee:

U.S. Bank National Association  
225 E. Robinson Street, Suite 250  
Orlando, Florida 32801  
Attn: Global Corporate Trust

**Section 10.09 Business Days.** Except as otherwise expressly provided herein, if any date specified herein or in the Bonds for the payment of any Bonds or the performance of any act shall not be a Business Day, such payment or performance shall be made on the next succeeding Business Day with the same effect as if made on such date and in case any payment of the principal or Redemption Price of or interest on any Bonds shall be due on a date that is not a Business Day, interest on such principal amount shall cease to accrue on the date on which such payment was due if such payment is made on the immediately succeeding Business Day.

**Section 10.10 Execution in Several Counterparts.** This Indenture may be executed in any number of counterparts, each of which shall be deemed to be an original for all purposes; and all such counterparts shall together constitute but one and the same instrument.

**Section 10.11 Governing Law.** This Indenture shall be governed by and construed in accordance with the laws of the State of Florida.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed and delivered, all as of the day and year first above written.

HIGHER EDUCATIONAL FACILITIES  
FINANCING AUTHORITY

By: \_\_\_\_\_  
Chair

ATTEST:

By: \_\_\_\_\_  
Secretary

U.S. BANK NATIONAL ASSOCIATION,  
as trustee

By: \_\_\_\_\_  
Vice President

## APPENDIX A

### FORM OF BOND

REGISTERED  
No. R-\_\_

REGISTERED  
\$ \_\_\_\_\_

UNITED STATES OF AMERICA

STATE OF FLORIDA

HIGHER EDUCATIONAL FACILITIES FINANCING AUTHORITY  
EDUCATIONAL FACILITIES REVENUE AND REVENUE REFUNDING BOND  
(SAINT LEO UNIVERSITY PROJECT),  
SERIES 2019

<u>Dated Date</u>	<u>Interest Rate</u> <u>(Per annum)</u>	<u>Maturity Date</u>	<u>CUSIP</u>
May 16, 2019	_____%	March 1, 20__	

Registered Owner: CEDE & CO.

Principal Amount: \_\_\_\_\_ Dollars

HIGHER EDUCATIONAL FACILITIES FINANCING AUTHORITY, a public body corporate and politic of the State of Florida (the "Issuer"), for value received, hereby promises to pay, but solely from the Trust Estate (as defined in the Indenture referred to herein), to the Registered Owner shown above or registered assigns or legal representative, upon the presentation and surrender hereof at the corporate trust office of the Trustee (defined herein) designated by the Trustee (the "Principal Office"), the Principal Amount shown above (or such lesser amount as shall be outstanding hereunder from time to time in accordance with Section 4 hereof) on the Maturity Date shown above (or earlier as hereinafter referred to), with interest thereon (calculated on the basis of a 360-day year consisting of twelve 30-day months) from the most recent interest payment date for which interest has been paid or provided for, or, if no interest has been paid, from the Dated Date shown above, at the Interest Rate shown above until said Principal Sum is paid, payable initially on September 1, 2019, and semiannually thereafter on March 1 and September 1 of each year (each an "Interest Payment Date").

All interest due on this Bond shall be payable to the person in whose name this Bond is registered on the bond registration books maintained by U.S. Bank National Association, as trustee and registrar (such entity and any successor in such capacity being referred to herein as the "Trustee"), as of the close of business on the fifteenth day of the calendar month immediately preceding the Interest Payment Date and shall be made by check or draft mailed to the address of such owner as it appears on the bond registration books maintained by the Trustee or to any owner of \$1,000,000 or more in aggregate principal amount of Bonds as of the close of business on the fifteenth day of the calendar month immediately preceding the Interest Payment Date upon which such interest is due and payable and shall be made, by transfer sent on such Interest Payment Date, to such owner; provided, that if there is a default in the payment of interest due

hereon, such defaulted interest shall be payable to the person in whose name this Bond is registered as of the close of business on a subsequent date fixed by the Trustee (the "Special Record Date") that is at least 10 and not more than 15 days before the date set for the payment of such defaulted interest. Notice of any Special Record Date will be given as hereinafter provided to the registered owner hereof not later than 10 days before the Special Record Date.

The principal or redemption price of and interest on this Bond are payable in lawful money of the United States of America or by check payable in such money. Except as otherwise expressly provided in the Indenture, if any date specified herein or in the Indenture for the payment of this Bond or the performance of any act shall not be a Business Day, such payment or performance shall be made on the next succeeding Business Day with the same effect as if made on such date and in case any payment of the principal of or interest on any Bonds shall be due on a date that is not a Business Day, interest on such principal amount shall cease to accrue on the date on which such payment was due if such payment is made on the immediately succeeding Business Day. A "Business Day" is any day other than a Saturday, Sunday or legal holiday in Orlando, Florida.

This Bond shall not be deemed to constitute a debt or liability of the State of Florida or of any political subdivision thereof, or the Issuer, within the meaning of any State constitutional provision or statutory limitation and shall not constitute a pledge of the full faith and credit of the State of Florida or of any political subdivision thereof, or of the Issuer, but such Bond shall be payable solely from the funds herein provided. Neither the full faith and credit nor the taxing power of the State of Florida or any political subdivision thereof, is pledged to the payment of the principal of or premium, if any, or interest on this Bond or other costs incident thereto. The Issuer has no taxing power.

1. **Indenture.** This Bond is one of a duly authorized series of bonds of the Issuer designated "EDUCATIONAL FACILITIES REVENUE AND REVENUE REFUNDING BONDS (SAINT LEO UNIVERSITY PROJECT), SERIES 2019" (the "Bonds"), aggregating Sixty-Eight Million Nine Hundred Thirty-Five Thousand and No/100 Dollars (\$68,935,000) in principal amount, dated May 16, 2019, and duly issued by the Issuer under and pursuant to (i) the Higher Educational Facilities Financing Act, Part II, Chapter 243, Florida Statutes, as amended, Part II of Chapter 159, Florida Statutes, as amended (to the extent applicable), the Constitution of the State of Florida and other applicable provisions of law (the "Enabling Act"), and (ii) the Indenture of Trust dated as of May 1, 2019 between the Issuer and the Trustee (the "Indenture"). The terms of the Bonds include those stated in the Indenture, and the Bonds are subject to all such terms. All terms used herein in capitalized form and not otherwise defined herein shall have the meanings ascribed thereto by the Indenture. Reference is made hereby to the Indenture for a description of the funds, revenues and charges pledged thereunder, the nature and extent of the security created or to be created, and the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Trustee and the holders of the Bonds. By the acceptance of this Bond, the holder hereof assents to all of the provisions of the Indenture. Certified copies of the Indenture are on file at the Principal Office of the Trustee.

2. **Loan Agreement, Security.** The Issuer has entered into a Loan Agreement dated as of May 1, 2019 (the "Loan Agreement") with Saint Leo University Incorporated, a Florida not-for-profit corporation, an institution of higher education as defined in Section 243.52(6), Florida Statutes, and an organization described in Section 501(c)(3) of the Code (the

"Borrower"), pursuant to which the Issuer has loaned the proceeds of the Bonds to the Borrower in order to finance and refinance the cost of the 2019 Project and to refund the Refunded Bonds, the proceeds of which were loaned to the Borrower to finance and refinance all or a portion of certain capital projects, all as authorized or otherwise permitted by the Enabling Act. Pursuant to the Loan Agreement, the Borrower has agreed to pay the principal of, and premium, if any, and interest on the Bonds.

The obligations of the Borrower under the Loan Agreement are secured by a promissory note (the "Series 2019 Note") issued by the Borrower to the Issuer (and, under the terms of the Indenture, assigned to the Trustee) under that certain Master Trust Indenture dated as of May 1, 2019, as the same may be amended and supplemented, between the Borrower and U.S. Bank National Association, as master trustee (the "Master Trust Indenture"), which Series 2019 Note is payable to the extent and in the manner provided in the Master Trust Indenture.

3. **The Bonds.** All of the Bonds are of like tenor except as to number, principal amount, maturity, interest rate and redemption provisions. The Bonds are issuable only in registered form without coupons in denominations of \$5,000 and integral multiples thereof.

4. **Redemption.** The Bonds at the time outstanding may be redeemed prior to their respective maturities as follows:

(a) **Optional Redemption.** The Bonds maturing on or after March 1, 2030 are subject to optional redemption prior to maturity beginning on March 1, 2029 at the option of the Issuer, upon written direction from the Borrower, as a whole or in part at any time, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date set for redemption.

(b) **Extraordinary Redemption.** The Outstanding Bonds are subject to extraordinary optional redemption in whole or in part at any time by the Issuer, at the option of the Borrower, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to, but not including, the Redemption Date, from the proceeds of insurance or condemnation awards in excess of \$1,000,000 in the event any portion of the Project shall have been damaged or destroyed, condemned or taken by eminent domain, in whole or in part, and the Borrower shall have elected to redeem such Bonds, or any portion thereof, hereunder as permitted by the Loan Agreement; provided, however, any redemption of a particular series of Bonds shall be made pro rata based upon aggregate outstanding principal amounts among Bonds, Notes and other indebtedness issued by or on behalf of the Borrower, if more than one series of Bonds and/or Notes and/or other indebtedness issued by or on behalf of the Borrower financed or refinanced such Project or portions thereof.

(c) **Mandatory Redemption.** The Term Bonds maturing on March 1, 2039 are subject to mandatory redemption prior to maturity, in part by lot, at a Redemption Price equal to 100% of the principal amount of such Bonds to be redeemed, together with accrued interest to the date fixed for redemption, on March 1, 2033 and on each March 1 thereafter from the following Sinking Fund Installments in the years specified:

**\$16,170,000 Term Bonds Due March 1, 2039**

<u>Year</u>	<u>Sinking Fund Installment</u>	<u>Year</u>	<u>Sinking Fund Installment</u>
2033	\$1,985,000	2037	\$2,415,000
2034	2,085,000	2038	2,535,000
2035	2,190,000	2039*	2,660,000
2036	2,300,000		

\* Maturity

The Term Bonds maturing on March 1, 2044 are subject to mandatory redemption prior to maturity, in part by lot, at a Redemption Price equal to 100% of the principal amount of such Bonds to be redeemed, together with accrued interest to the date fixed for redemption, on March 1, 2040 and on each March 1 thereafter from the following Sinking Fund Installments in the years specified:

**\$15,445,000 Term Bonds Due March 1, 2044**

<u>Year</u>	<u>Sinking Fund Installment</u>	<u>Year</u>	<u>Sinking Fund Installment</u>
2040	\$2,795,000	2043	\$3,235,000
2041	2,935,000	2044*	3,400,000
2042	3,080,000		

\* Maturity

The Term Bonds maturing on March 1, 2049 are subject to mandatory redemption prior to maturity, in part by lot, at a Redemption Price equal to 100% of the principal amount of such Bonds to be redeemed, together with accrued interest to the date fixed for redemption, on March 1, 2045 and on each March 1 thereafter from the following Sinking Fund Installments in the years specified:

**\$19,710,000 Term Bonds Due March 1, 2049**

<u>Year</u>	<u>Sinking Fund Installment</u>	<u>Year</u>	<u>Sinking Fund Installment</u>
2045	\$3,565,000	2048	\$4,130,000
2046	3,745,000	2049*	4,335,000
2047	3,935,000		

\* Maturity

(d) **Selection of Bonds to Be Redeemed.** If fewer than all of the Bonds shall be called for redemption, the particular maturities (and the Borrower on behalf of the Issuer may in its discretion treat each Sinking Fund Installment as a maturity) of the Bonds to be redeemed shall be selected by the Borrower, on behalf of the Issuer. If fewer than all of the Bonds of any one

maturity shall be called for redemption, the particular Bonds or portions of Bonds to be redeemed from such maturity shall be selected by lot by the Trustee in such manner as the Trustee in its discretion may determine; provided, however, that the portion of any Bond remaining outstanding after such redemption shall be in an Authorized Denomination for such Bond; and provided further that, in selecting Bonds for redemption, the Trustee shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by the minimum denomination for Bonds.

(e) **Notice of Redemption.** The Trustee shall give notice of any redemption of the Bonds at least 20 days before the redemption date to the registered owners of the Bonds to be redeemed. The failure to give any such notice to any of such registered owners or any defect therein shall not affect the validity of the proceedings for the redemption of any Bonds as to which notice was properly given.

(f) **Effect of Call for Redemption.** On the date designated for redemption, notice having been given as provided herein and any conditions to such redemption having been satisfied, the Bonds or portions of Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds or such portions thereof on such date and, if moneys for the payment of the redemption price and accrued interest are held by the Trustee as provided in the Indenture, interest on such Bonds or such portions thereof so called for redemption shall cease to accrue, such Bonds or such portions thereof so called for redemption shall cease to be entitled to any benefit or security under the Indenture, and the registered owners thereof shall have no rights in respect of such Bonds or such portions thereof so called for redemption except to receive payment of the redemption price thereof and the accrued interest thereon solely from such funds so held by the Trustee. If a portion of this Bond shall be called for redemption, a new Bond or Bonds in aggregate principal amount equal to the unredeemed portion hereof, of the same series and maturity and bearing interest at the same rate, shall be issued to the registered owner upon the surrender hereof.

5. **Acceleration; Defeasance.** In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all the Bonds then Outstanding under the Indenture may become or may be declared due and payable before the stated maturities thereof, together with the interest accrued thereon.

The Indenture prescribes the manner in which it may be discharged and provides that Bonds shall be deemed to be paid if moneys and/or certain Defeasance Obligations (as defined in the Indenture), the principal of and interest on which, when due, will be sufficient to pay the principal or redemption price of and interest on such Bonds to the date of maturity or redemption thereof, shall have been deposited with the Trustee.

6. **Persons Deemed Owners; Restrictions upon Actions by Individual Holders.** The Issuer and the Trustee may deem and treat the person in whose name this Bond is registered as the absolute owner hereof (whether or not this Bond shall be overdue and notwithstanding any notation of ownership or other writing hereon made by anyone other than the Issuer or the Trustee) for the purpose of receiving payment of or on account of the principal or redemption price of this Bond, and for all other purposes except as otherwise provided herein with respect to the payment of interest on this Bond, and neither the Issuer nor the Trustee shall be affected by any notice to the contrary. All such payments so made to any such registered owner, or upon his

order, shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable under this Bond.

The registered owner of this Bond shall have no right to enforce the provisions of the Indenture, or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

7. **Transfer and Exchange.** This Bond may be exchanged for an equal aggregate principal amount of Bonds, of the same maturity and bearing interest at the same rate and of other Authorized Denominations, and the transfer of this Bond may be registered, upon presentation and surrender of this Bond at the Principal Office of the Trustee, together with an assignment duly executed by the registered owner hereof or such owner's attorney or legal representative. The Issuer and the Trustee may require the person requesting any such exchange or transfer to reimburse them for any tax or other governmental charge payable in connection therewith. Neither the Issuer nor the Trustee shall be required to register the transfer of this Bond or make any such exchange of this Bond during the 15 days preceding the date of mailing of any notice of redemption or after this Bond or any portion hereof has been selected for redemption, except that in the case of any Bond redeemed in part, the transfer of the portion thereof not to be redeemed may be registered.

8. **Modifications.** Modifications or alterations of the Indenture or the Loan Agreement may be made only to the extent and in the circumstances permitted by the Indenture and the Loan Agreement.

9. **Governing Law.** This Bond shall be governed by and construed in accordance with the laws of the State of Florida.

10. **Notices.** Except as otherwise provided in the Indenture and this Bond, when the Trustee is required to give notice to the owner of this Bond, such notice shall be mailed by first-class mail to the registered owner of this Bond at such owner's address as it appears on the registration books maintained by the Trustee. Any notice mailed as provided herein will be conclusively presumed to have been given, whether or not actually received by the addressee.

11. **Miscellaneous.** All acts, conditions and things required by the Constitution and laws of the State of Florida and the rules and regulations of the Issuer to happen, exist and be performed precedent to and in the issuance of this Bond and the execution and delivery of the Indenture and the Loan Agreement have happened, exist and have been performed as so required.

No recourse shall be had for the payment of the principal or redemption price of and interest on this Bond or for any claims based thereon or on the Indenture against any member or other officer of the Issuer or any person executing this Bond, all such liability, if any, being expressly waived and released by the Registered Owner of this Bond by the acceptance of this Bond.

This Bond is and has all the qualities and incidents of an investment security under the Uniform Commercial Code-Investment Securities Law of the State of Florida.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Indenture until it shall have been authenticated by the execution by the Trustee of the certificate of authentication endorsed hereon.

IN WITNESS WHEREOF, the HIGHER EDUCATIONAL FACILITIES FINANCING AUTHORITY has caused this Bond to be executed in its name by the manual or facsimile signature of its Chair or Vice Chair and its corporate seal (or a facsimile thereof) to be hereunto affixed, imprinted, engraved or otherwise reproduced and attested by the manual or facsimile signature of the Secretary, all as of the 16<sup>th</sup> day of May, 2019.

HIGHER EDUCATIONAL FACILITIES  
FINANCING AUTHORITY

(SEAL)

By: \_\_\_\_\_  
Chair

ATTEST:

By: \_\_\_\_\_  
Secretary

#### CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the series designated herein and issued under the provisions of the within-mentioned Indenture.

Date of Authentication: \_\_\_\_\_

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: \_\_\_\_\_  
Authorized Signatory

### ASSIGNMENT

FOR VALUE RECEIVED, the undersigned \_\_\_\_\_ (the "Transferor"), hereby sells, assigns and transfers unto \_\_\_\_\_ (the "Transferee")

PLEASE INSERT SOCIAL SECURITY OR  
OTHER IDENTIFYING NUMBER OF TRANSFeree

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ as attorney to register the transfer of the within Bond on the books kept for registration and registration of transfer thereof, with full power of substitution in the premises.

Date: \_\_\_\_\_

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

NOTICE: No transfer will be registered and no new Bond will be issued in the name of name of the Transferee, unless the signature(s) to this Assignment correspond(s) with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever and the Social Security or Federal Employer Identification Number of the Transferee is supplied.

### ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM — as tenants in common  
TEN ENT — as tenants by the entirety  
JT TEN — as joint tenants with right of survivorship and not as tenants in common

UNIF TRANS MIN ACT — \_\_\_\_\_  
(Cust)

Custodian for \_\_\_\_\_

under Uniform Transfers to Minors Act of \_\_\_\_\_  
(State)

Additional abbreviations may also be used though not in list above.



**APPENDIX B**  
**FORM OF REQUISITION**

REQUISITION NO. \_\_\_\_\_

Amount Requested:

Total Disbursements to Date:

1. Each obligation for which a disbursement is hereby requested is described in reasonable detail in Exhibit A hereto together with the name and address of the person, firm or corporation to whom payment is due.

2. The bills, invoices or statements of account for each obligation referenced in Exhibit A are on file with the Borrower.

3. The Borrower hereby certifies that:

(a) each obligation mentioned in Exhibit A has been properly incurred, is a proper charge against the Project Fund and has not been the basis of any previous disbursement;

(b) no part of the disbursement requested hereby will be used to pay for materials not yet incorporated into the 2019 Project or for services not yet performed in connection therewith;

(c) no Event of Default under the Indenture has occurred and is continuing and there exists no event or condition which, with the giving of notice or the passage of time would constitute an Event of Default under the Indenture;

(d) no item in Exhibit A represents any portion of an obligation which the Borrower is, as of the date hereof, entitled to retain under any retained percentage agreement;

(e) the expenditures of the amount requested under this Requisition, when added to all disbursements under previous Requisitions, will result in no more than two percent (2%) of the issue price of the issue of Bonds being used for payment of Issuance Costs;

(f) all sums previously advanced by the Trustee have been used solely for purposes permitted by the Indenture and the specific items which are the subject of this requisition will be so used;

(g) there has not been served upon the Borrower any lien, notice of any lien, right to lien or attachment upon or claim affecting the right to receive payment of, any moneys payable to any of the persons or firms named in this requisition, which has not been released or will not be released simultaneously with the payment of such obligation; and

(h) after payment of such disbursement, sufficient amounts will remain in the Project Fund, taking into account investment earnings thereon, to pay all remaining unpaid costs of the 2019 Project to be paid from proceeds of the Bonds.

All terms used herein and not otherwise defined shall have the meanings ascribed to them in the Indenture of Trust dated as of May 1, 2019, between the Higher Educational Facilities Financing Authority and U.S. Bank National Association, as trustee.

This \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

SAINT LEO UNIVERSITY INCORPORATED, as  
Group Representative, on behalf of itself and all  
Members of the Obligated Group

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

# SCHEDULE I

## CAPITALIZED INTEREST APPLICATION

May 2, 2019 3:50 pm Prepared by Morgan Stanley/FS

(Finance 8.001 St. Leo University:SER2019) Page 6

### CAPITALIZED INTEREST FUND

Higher Education Facilities Finance Authority (Florida)  
Educational Facilities Revenue and Revenue Refunding Bonds  
(Saint Leo University Project)  
Series 2019  
\*\*FINAL\*\*

Date	Deposit	Interest	Principal	Scheduled Draws	Balance
05/16/2019	1,612,322.92				1,612,322.92
09/01/2019			364,072.92	364,072.92	1,248,250.00
03/01/2020			624,125.00	624,125.00	624,125.00
09/01/2020			624,125.00	624,125.00	
	1,612,322.92	0	1,612,322.92	1,612,322.92	

Average Life (years): 0.8723  
Arbitrage Yield: 3.4877344%  
Value of Negative Arbitrage: 47,766.93

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Morgan Stanley

## **APPENDIX E**

### **FORM OF LOAN AGREEMENT**

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**HIGHER EDUCATIONAL FACILITIES FINANCING AUTHORITY**

and

**SAINT LEO UNIVERSITY INCORPORATED**

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**LOAN AGREEMENT**

**Dated as of May 1, 2019**

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**\$68,935,000**  
**HIGHER EDUCATIONAL FACILITIES FINANCING AUTHORITY**  
**Educational Facilities Revenue and Revenue Refunding Bonds**  
**(Saint Leo University Project),**  
**Series 2019**

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## LOAN AGREEMENT

THIS LOAN AGREEMENT dated as of May 1, 2019, and effective from the time of execution and delivery hereof (the "Loan Agreement"), is by and between the HIGHER EDUCATIONAL FACILITIES FINANCING AUTHORITY (the "Issuer"), a public body corporate and politic of the State of Florida and SAINT LEO UNIVERSITY INCORPORATED, an institution of higher education as defined in the Enabling Act (as defined herein), and an organization described in Section 501(c)(3) of the Code and a not-for-profit corporation duly organized and existing under the laws of the State of Florida (the "Borrower") on behalf of itself and all Members of the Obligated Group.

## RECITALS

The Issuer is authorized pursuant to the Enabling Act, among other things, to issue its revenue bonds pursuant to the provisions of the Enabling Act for any corporate purpose, including for the purpose of lending the proceeds thereof to institutions of higher education, to finance or refinance the acquisition, construction, equipping or carrying out any project described in the Enabling Act of capital projects for the benefit thereof; and, as security for the payment of the principal of, and the interest on, any such bonds so issued, to pledge the revenues from loans made by the Issuer.

Pursuant to an Indenture of Trust dated as of May 1, 2019, by and between the Issuer and U.S. Bank National Association (the "Indenture"), the Issuer has authorized the issuance, sale and delivery of its \$68,935,000 Educational Facilities Revenue and Revenue Refunding Bonds (Saint Leo University Project), Series 2019 (the "Bonds"), the proceeds of which shall be loaned by the Issuer to the Borrower in order to (i) finance and refinance the costs of the acquisition, construction and equipping of certain educational facilities more particularly described in the Indenture (the "2019 Project") and refinance obligations of the Borrower with respect to, and thereby refund the Refunded Bonds (as defined in the Indenture) which are all or a part, as applicable, of the bond issues that financed and refinanced the Refunded Projects (as defined in the Indenture, and together with the 2019 Project, the "Project"), (ii) capitalize interest on a portion of the Bonds, (iii) funding a debt service reserve fund, and (iv) and pay costs of issuance.

The principal of, premium, if any, and interest on the Bonds and all other pecuniary obligations of the Issuer under this Loan Agreement, the Indenture or otherwise, in connection with the Project and the Bonds, shall be payable by the Issuer solely from the loan payments and other revenues and proceeds receivable by the Issuer under this Loan Agreement, the proceeds of the Bonds and income from the temporary investment of the proceeds of the Bonds or from such other revenue and proceeds as pledged for such payment under and as provided in the Indenture; neither the faith and credit of the Issuer, the State of Florida or any political subdivision thereof, nor the taxing power of the State of Florida or any political subdivision thereof is pledged to the payment of the Bonds issuable under the Indenture, and neither the State of Florida nor any political subdivision thereof shall ever be required or obligated to levy ad valorem taxes on any property within their territorial limits to pay the principal of, premium, if any, or interest on such Bonds or any other pecuniary obligations or to pay the same from any funds thereof other than such revenues, receipts and proceeds so pledged, and the Bonds shall not constitute a lien upon any property owned by the Issuer or the State of Florida or any political subdivision thereof, other than on the Issuer's interest in this Loan Agreement and the property rights, receipts,

revenues and proceeds pledged therefor under and as provided in the Indenture. The Issuer has no taxing power.

To evidence and secure its payment obligations under this Loan Agreement, the Borrower is causing Master Note No. 1 in the principal amount of \$68,935,000 (the "Series 2019 Note") to be issued to the Issuer and assigned to the Trustee pursuant to the Master Trust Indenture (Security Agreement) dated as of May 1, 2019, as amended and supplemented, between the Borrower and U.S. Bank National Association, as master trustee (the "Master Trust Indenture").

The HIGHER EDUCATIONAL FACILITIES FINANCING AUTHORITY and SAINT LEO UNIVERSITY INCORPORATED, intending to be legally bound hereby and in consideration of the mutual covenants hereinafter contained, DO HEREBY AGREE as follows:

## ARTICLE I DEFINITIONS

**Section 1.01 Definitions.** Terms used in this Loan Agreement, including the preamble hereto, shall have the meanings set forth in the Indenture, unless a different meaning clearly appears from the context.

**Section 1.02 Rules of Construction.** Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Loan Agreement:

(a) Words importing the singular number include the plural number and words importing the plural number include the singular number.

(b) Words of the masculine gender include correlative words of the feminine and neuter genders.

(c) The headings and the Table of Contents set forth in this Loan Agreement are solely for convenience of reference and shall not constitute a part of this Loan Agreement or affect its meaning, construction or effect.

(d) Words importing persons include any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government or agency or political subdivision thereof.

(e) Any reference to the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Fund Account, the Project Fund, the Rebate Fund or the Redemption Fund shall be to the fund or account so designated that is created under Section 4.01 of the Indenture.

(f) Any reference to a particular Article or Section shall be to such Article or Section of this Loan Agreement unless the context shall otherwise require.

(g) The terms "agree" and "agreement" shall include and mean "covenant," and all agreements contained in this Loan Agreement are intended to constitute covenants and shall be enforceable as such.

## ARTICLE II REPRESENTATIONS

**Section 2.01 Representations by Issuer.** The Issuer hereby represents:

(a) The Issuer is a public body corporate and politic duly organized and validly existing under and pursuant to the laws of the State of Florida and has full power and authority under the laws of the State of Florida (including, in particular, the Enabling Act) to enter into the transactions contemplated by this Loan Agreement and the Indenture and to carry out its obligations hereunder and thereunder. By proper action the Issuer has duly authorized the execution and delivery of this Loan Agreement and the Indenture and the performance of its obligations under this Loan Agreement and the Indenture.

(b) The execution and delivery of the Bonds, the Indenture and this Loan Agreement, the consummation of the transactions contemplated thereby and hereby and the fulfillment of or compliance with the terms and conditions or provisions of the Bonds, the Indenture and this Loan Agreement do not conflict with or result in the breach of any of the terms, conditions or provisions of any constitutional provision or statute of the State of Florida or of any agreement or instrument or judgment, order or decree of which the Issuer has notice or as to which it is a party or it or its property is based or constitute a default under any of the foregoing or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature upon any property or assets of the Issuer under the terms of any instrument or agreement.

(c) To finance and refinance the 2019 Project and to refund the Refunded Bonds the Issuer will issue the Bonds. The Bonds shall be in the principal amount, mature, bear interest, be subject to redemption prior to maturity, be secured, and have such other terms and conditions as set forth in the Indenture.

(d) The Bonds are to be issued under and secured by the Indenture pursuant to which the Issuer's interest in this Loan Agreement (except for Reserved Rights) and in the Series 2019 Note, and the revenues and receipts derived by the Issuer from the Series 2019 Note and this Agreement, will be pledged and assigned to the Trustee as security for payment of the principal of, premium, if any, and interest on the Bonds.

(e) Except as otherwise permitted by this Loan Agreement, the Issuer covenants that it has not pledged and will not pledge the income and revenues derived from this Loan Agreement other than to secure the Bonds.

(f) After public notice given by publication in the (i) *Tallahassee Democrat*, a newspaper of general circulation in Tallahassee, Florida, the capital of the State of Florida, on January 21, 2019, and (ii) *Tampa Bay Times*, a newspaper of general circulation in Pasco County, Florida, on January 21, 2019, the Issuer held a public hearing on February 6, 2019 concerning the issuance of the Bonds, the financing and refinancing of the 2019 Project and the nature and location thereof and the refunding of the Refunded Bonds and the nature and the location of the Refunded Projects.

(g) After such hearing, the Governor of the State of Florida, the applicable elected official, approved the issuance of the Bonds pursuant to Section 147(f) of the Code pursuant to letter dated March 18, 2019.

**Section 2.02 Representations by Borrower.** The Borrower makes the following affirmative representations as the basis for the undertakings on the Issuer's part herein contained:

(a) The Borrower is an institution of higher education as defined in Section 243.52(6), Florida Statutes and is a not-for-profit corporation duly incorporated and in good standing under the laws of the State of Florida, has power to enter into this Loan Agreement, the Master Trust Indenture, the Tax Compliance Agreement and the Series 2019 Note (collectively, the "Borrower Documents"), and by proper corporate action has duly authorized the execution and delivery of the Borrower Documents.

(b) To the best of the Borrower's knowledge after due investigation, no event of default or any event which, with the giving of notice or the lapse of time, or both, would constitute an event of default under the Master Trust Indenture has occurred.

(c) The Borrower (i) is an organization described in Section 501(c)(3) of the Code and is not a "private foundation," as such term is defined under Section 509(a) of the Code, (ii) has received a letter or other notification from the Internal Revenue Service to that effect and such letter or other notification has not been modified, limited or revoked, (iii) is in compliance with all terms, conditions and limitations, if any, contained in such letter or other notification, it being expressly represented that the facts and circumstances which form the basis of such letter or other notification as represented to the Internal Revenue Service continue to exist, and (iv) is exempt from federal income taxes under Section 501(a) of the Code.

(d) As of the date of delivery hereof, the Borrower is an organization (i) organized and operated exclusively for educational or charitable purposes and not for pecuniary profit, and (ii) no part of the net earnings of which inure to the benefit of any Person, private stockholder or individual, all within the meaning of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, respectively.

(e) The Project and any other property that is being financed or refinanced with proceeds of the Bonds consist entirely of property that is owned, or is to be owned, by the Borrower. Except as specifically described in or contemplated by the Tax Compliance Agreement, no portion of the Project or such property will be used in an "unrelated trade or business" (as such term is used in Section 513(a) of the Code) of the Borrower (or any other organization that is exempt from federal income tax under Section 501(c)(3) of the Code that may rent or use any portion of the Project) or for any private business use (other than by an organization that is exempt from federal income tax under Section 501(c)(3) of the Code) within the meaning and contemplation of Section 141(b) of the Code.

(f) The Tax Compliance Agreement executed and delivered by the Borrower concurrently with the issuance and delivery of the Bonds is true, accurate and complete in all material respects as of the date on which executed and delivered.

(g) The average maturity of the Bonds does not exceed one hundred twenty percent (120%) of the average reasonably expected economic life of the assets being financed or

refinanced with the proceeds of the Bonds, with the average reasonably expected economic life of each asset being measured from the later of the date of issuance of the tax-exempt bonds that originally financed such asset or the date such asset was, or is reasonably expected to be, placed in service and by taking into account the respective cost of each asset being financed or refinanced. The information furnished by the Borrower and used by the Issuer to verify the average reasonably expected economic life of the Project being financed or refinanced with the proceeds of the Bonds is true, accurate and complete in all material respects.

(h) (i) The payment of principal or interest with respect to the Bonds will not be guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof); (ii) less than five percent (5%) of the proceeds of the Bonds will be (A) used in making loans the payment of principal and interest with respect to which are to be guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof), or (B) invested (directly or indirectly) in federally insured deposits or accounts as defined in Section 149(b) of the Code; and (iii) the payment of principal or interest on the Bonds will not otherwise be indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof).

The foregoing provisions of this subsection shall not apply to proceeds of the Bonds being (i) invested for an initial temporary period until such proceeds are needed for the purpose for which such issue was issued; (ii) held in a bona fide debt service fund; (iii) held in a debt service reserve fund that meets the requirements of Section 148(d) of the Code with respect to reasonably required reserve or replacement funds; (iv) invested in obligations issued by the United States Treasury; (v) held in a refunding escrow (i.e., a fund containing proceeds of a refunding bond issue established to provide for the payment of principal or interest on one or more prior bond issues); or (vi) invested in other investments permitted under Regulations promulgated pursuant to Section 149(b)(3)(B) of the Code.

(i) Any information that has been or will be supplied by the Borrower that has been or will be relied upon by the Issuer, the Trustee and Bond Counsel with respect to the exclusion from gross income for federal income tax purposes of interest on the Bonds is true and correct in all material respects.

(j) The Borrower has all requisite power and authority necessary to own, lease and operate its properties, to carry on its activities as now conducted and as presently proposed to be conducted and is, or will be, duly authorized to operate the Project, under the laws, rulings, regulations and ordinances of the State of Florida and the departments, agencies and political subdivisions thereof.

(k) Based on current facts, estimates and circumstances, it is currently expected that the Project will not be sold or disposed of in a manner producing sale proceeds which, together with accumulated proceeds of the Bonds or earnings thereon, would be sufficient to enable the Borrower to retire substantially all of the Bonds prior to the maturity of the Bonds.

(l) The Project presently constitutes and until the expiration of the term of this Loan Agreement will constitute a "project" within the meaning of, or otherwise permitted by, the Enabling Act and/or a "project" within the meaning of 159.27(5), Florida Statutes, and/or



an "educational facility" within the meaning of 159.27(22), Florida Statutes. All proceeds of the Bonds will be used to pay "costs" within the meaning of the Enabling Act.

(m) The Borrower is an institution for higher education that is an independent not for profit college located in and chartered by the State of Florida, accredited by the Southern Association of Colleges and Schools Commission on Colleges, that grants baccalaureate or higher degrees and the Refunded Projects have been, and the 2019 Project will be, constructed in compliance in all material respects with applicable codes as determined by appropriate state agencies and operated in the public sector within the meaning of Section 159.27(22)(a), Florida Statutes.

(n) The Borrower shall perform or cause to be performed all of the Borrower's obligations under the Borrower Documents.

(o) Neither the execution and delivery of any of the Borrower Documents and the other documents contemplated thereby to which the Borrower is a party or the consummation of the transactions contemplated thereby nor the fulfillment of or compliance with the provisions of any of the Borrower Documents relating to obligations of the Borrower and the other documents contemplated thereby, will conflict with or result in a breach of or constitute a default by the Borrower under any of the material terms, conditions or provisions of any law or ordinance of the State of Florida or any applicable political subdivision thereof or of the Borrower's Articles of Incorporation or Bylaws, or any corporate restriction or any agreement or instrument to which the Borrower is a party or by which it is bound, or result in the creation or imposition of any lien of any nature upon any of the property of the Borrower under the terms of any such law, ordinance, articles of incorporation or bylaws, restriction, agreement or instrument except as permitted by the Master Trust Indenture.

(p) Each of the Borrower Documents and the other documents contemplated thereby to which the Borrower is a party (assuming due authorization, execution and delivery by the other parties thereto) constitutes a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms.

(q) The Borrower agrees that it (i) shall not perform any act or enter into any agreement which would adversely affect its federal income tax status and shall conduct its operations in the manner which conforms to the standards necessary to qualify the Borrower as a charitable organization within the meaning of Section 501(c)(3) of the Code or any successor provisions of federal income tax law, and (ii) shall not perform any act, enter into any agreement or use or permit the Project, or any portion thereof, to be used in any manner, or for any trade or business or other non-exempt use related to the purposes of the Borrower, which would adversely affect the exclusion of interest on the Bonds, from federal gross income pursuant to Section 103 of the Code.

(r) Except as permitted under Section 3.04 of the Indenture, the Borrower agrees that neither it nor any related party to the Borrower (as defined in Treas. Reg. § 1.150-1(b)) will purchase any of the Bonds in an amount related to the obligation represented by this Loan Agreement, as described in Section 1.148-1(b) of the Code.

(s) The Borrower represents that for purposes of the \$150 million cap of Section 145(b) of the Code, at least 95% of the Net Proceeds of the Refunded Bonds and the Bonds were used or will be used to finance or refinance Capital Expenditures incurred after August 5, 1997.

(t) The Borrower will use due diligence to cause the Project to be operated in accordance with the laws, rulings, regulations and ordinances of the State of Florida and the departments, agencies and political subdivisions thereof and the Project will conform, in all material respects, with all applicable zoning, planning, building and environmental laws, ordinances, rules and regulations of governmental authorities having jurisdiction over the Project. The Borrower has obtained all requisite approvals of the State of Florida and of other federal, state, regional and local governmental bodies that are required to own and operate the Project that are available as of the date hereof.

(u) None of the proceeds of the issuance of the Bonds will be used to provide, or to refinance, an airplane, skybox or other private luxury box, any facility primarily used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises, land to be used for farming purposes or any health club facility (unless such health club facility is used for a purpose that is directly related to the Borrower's exempt purposes under Section 501(c)(3) of the Code).

(v) Substantially All of the Net Proceeds of the Refunded Bonds and the Bonds, including earnings from the investment thereof, were used, or will be used, to finance or refinance Qualified Project Costs.

(w) The Borrower will promptly provide written notice of any Event of Default to the Issuer and the Trustee upon Borrower's knowledge of such event.

(x) The Borrower has entered into various contracts providing for the acquisition or construction of the 2019 Project that collectively create a substantial binding commitment on the Borrower's part to expend at least five percent (5%) of the Net Proceeds of the Bonds available for such purpose on the 2019 Project by the date that is six months from the date of issuance of the Bonds.

(y) Based on current facts, estimates and circumstances, the Borrower currently expects:

(1) that the acquisition and construction of the 2019 Project and the expenditure of all of the Net Proceeds of the Bonds will be completed by November 1, 2022;

(2) to proceed with due diligence toward completion of acquisition and construction of the 2019 Project and the expenditure of the Net Proceeds of the Bonds in connection with the acquisition and construction of the 2019 Project;

(3) the Net Proceeds of the Bonds are needed for the purpose of paying all or a part of the Cost of the 2019 Project, refunding the Refunded Bonds, and paying Issuance Costs;

(4) neither the Project, nor any material portion thereof, will be sold or disposed of or leased without an opinion of Bond Counsel that such sale or disposition would not adversely affect the exclusion of interest on the Bonds from gross income of the holders thereof for federal income tax purposes;

(5) all proceeds of the Bonds will be used to finance or refinance a "cost" within the meaning of Section 243.52(4) and/or 159.27(2), Florida Statutes, or otherwise permitted by the Enabling Act;

(6) that the Project is of the type authorized and permitted by the Enabling Act and the estimated cost of financing and refinancing the cost of the 2019 Project and of refunding the Borrower's obligations with respect to the Refunded Bonds is not less than the amount of Bond proceeds, together with other funds of the Borrower, available therefor;

(7) the Borrower has not entered into, and will not enter into, any arrangement with any person or organization (other than a state or local governmental unit or another Section 501(c)(3) organization) which provides for such person or organization to manage, operate or provide services allocable to more than 5% of the property financed or refinanced with the proceeds of the Bonds (a "Service Contract"), unless the guidelines set forth in Revenue Procedure 97-13 as modified by Revenue Procedure 2001-39, and as amplified by Notice 2014-67, or the guidelines set forth in Revenue Procedure 2017-13, as applicable (or any new, revised or additional guidelines applicable to Service Contracts) (the "Guidelines"), are satisfied, except to the extent it obtains a private letter ruling from the Internal Revenue Service or a Favorable Opinion of Bond Counsel which allows for a variation from the Guidelines;

(8) the Borrower has not entered into, and will not enter into, any research agreement with any person or organization (other than a state or local governmental unit or another Section 501(c)(3) organization) which is allocable to more than 5% of the property financed or refinanced with the proceeds of the Bonds (a "Research Agreement"), unless the guidelines set forth in Revenue Procedure 2007-47 (or any new, revised or additional guidelines applicable to Research Agreements) (the "Research Guidelines"), are satisfied, except to the extent it obtains a private letter ruling from the Internal Revenue Service or a Favorable Opinion of Bond Counsel which allows for a variation from the Research Guidelines;

(9) the Borrower will not use or invest the proceeds of the Bonds in a manner that will violate the provisions of Section 149(d)(3) or (4) of the Code; and

(10) the Borrower will comply with the information reporting requirements of Section 149(3)(2) of the Code.

(y) No other governmental obligations shall be sold within fifteen (15) days of the Bonds pursuant to the same plan of financing as the Bonds that are reasonably expected to be paid from the same source of funds as the Bonds.

### ARTICLE III GENERAL AGREEMENTS; AMOUNTS PAYABLE; TIMES AND MANNER OF PAYMENT

**Section 3.01 The Loan; Term of Loan Agreement.** The Issuer shall deposit the net proceeds of the sale of the Bonds in accordance with the Indenture. Neither the Issuer nor the Borrower shall have any legal or equitable interest in the proceeds of the Bonds or any proceeds of any investment thereof except to require their application in the manner and under the terms and conditions set forth in the Indenture.

This Loan Agreement shall remain in full force and effect from the date of its execution and delivery until the date on which the principal or Redemption Price of and interest on the Bonds and all Administrative Expenditures shall have been fully paid by or on behalf of the Borrower or provision for the payment thereof shall have been made by or on behalf of the Borrower as provided by the Indenture, at which time this Loan Agreement shall terminate and the Issuer shall release and cancel this Loan Agreement.

#### **Section 3.02 Amounts Payable.**

(a) The Borrower shall pay or cause to be paid to the Trustee, as and when the same shall become due and payable in accordance with the terms of the Bonds, the Indenture and this Section, whether at maturity or upon earlier redemption, an amount equal to the sum of (i) the total interest becoming due on all Bonds to the respective dates of payment thereof, (ii) the total principal amount of the Bonds on their stated maturity dates or mandatory Sinking Fund Installments dates, and (iii) the aggregate principal amount and all redemption premiums (if any) payable on the redemption of Bonds prior to stated maturity dates, in each case less any amount available for such payments from the funds and accounts established under the Indenture.

(b) In addition, the Borrower shall pay to the Trustee the Administrative Expenditures, if any, within 30 days of receipt of written certification of such amounts to the Borrower.

(c) In order to provide for the payment of the amounts due under paragraph (a) of this Section with respect to the Bonds, on or before the Business Day immediately preceding each date on which the principal or Redemption Price of or interest on, or of any Sinking Fund Installment for, any Bonds becomes due, the Borrower shall pay in immediately available funds to the Trustee an amount equal to the total principal or Redemption Price of and interest on, or Sinking Fund Installment for, the Bonds due on such date, less any amount on deposit in the Debt Service Fund available for the payment thereof.

(d) The Borrower will also pay to the Issuer its issuance fees at the time of issuance of the Bonds and, within thirty (30) days after notice thereof, the Administrative Expenditures of the Issuer, including, without limitation, the reasonable attorneys' fees for any continuing duties or obligations of the Issuer related in any respect to the Bonds, this Loan Agreement, the Indenture or any other documents executed in connection therewith, including, without limitation, any supplements or amendments to the foregoing, after the issuance of the Bonds and related to any administration and enforcement of the Issuer's rights hereunder.

(e) The Borrower will also pay the reasonable fees and expenses of the Trustee under the Indenture and all other amounts which may be payable to the Trustee under Section 6.05 of the Indenture, such amounts to be paid directly to the Trustee for the Trustee's own account as and when such amounts become due and payable.

(f) This Loan Agreement, other than the Reserved Rights, has been assigned by the Issuer to the Trustee pursuant to the Indenture as security for the payment of the Bonds and the interest thereon and the performance of the obligations of the Issuer under the Indenture. The Borrower assents to such assignment. The Issuer hereby directs the Borrower, and the Borrower hereby agrees, to make all payments with respect to the principal or Redemption Price of and interest on the Bonds to the Trustee.

**Section 3.03 Source of Security.** The obligations of the Borrower under this Loan Agreement are secured by the Series 2019 Note issued by the Borrower under the Master Trust Indenture.

**Section 3.04 Obligation to Make Payments Absolute.** The obligation of the Borrower to pay or cause to be paid the amounts payable under this Loan Agreement shall be absolute, irrevocable, complete and unconditional and the amount, manner and time of payment of such amounts shall not be decreased, abated, rebated, setoff, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever regardless of any invalidity of the Bonds or the obligations of the Issuer thereunder or any right of setoff, recoupment or counterclaim that the Borrower might otherwise have against the Issuer, the Trustee or any other person and regardless of any contingency, force majeure, event or cause whatsoever and notwithstanding any circumstance or occurrence that may arise or take place with respect to the Project.

#### ARTICLE IV CONSTRUCTION, ACQUISITION AND OPERATION OF THE PROJECT

**Section 4.01 Disposition of Bond Proceeds.** The proceeds of the Bonds shall be held and applied solely as provided in the Indenture. The Borrower shall use proceeds of the Bonds and investment earnings on such proceeds disbursed to it, together with other available funds of the Borrower, to finance and refinance (including through reimbursement) a portion of the Cost of the 2019 Project, to refinance its obligations related to the Refunded Bonds and thereby refund the Refunded Bonds and to pay costs of issuance related to the Bonds in accordance with the provisions of the Indenture.

**Section 4.02 Payment of Excess Costs of Project.** The Borrower shall pay any costs of acquisition, construction and equipping of the Project in excess of the amount of moneys representing proceeds of the Bonds available therefor and investment earnings on such proceeds.

**Section 4.03 Construction and Acquisition of the Project.** The Borrower shall cause the 2019 Project to be constructed as a "project" as defined in the Enabling Act. The Borrower shall cause the construction, acquisition and equipping of the 2019 Project and the redemption of the Refunded Bonds to proceed with due diligence to completion, subject to force majeure.

Promptly upon the completion of the 2019 Project, the Borrower shall deliver to the Trustee a Certificate to the effect that the construction and acquisition of the 2019 Project is

complete, which Certificate shall specify the date of completion and state the amount to be retained in the Project Fund to pay unpaid Costs of the 2019 Project, if any; provided, however, failure to provide such Certificate shall not be a default hereunder.

**Section 4.04 Right to Enter and Examine the Project.** The Issuer shall have the right, upon reasonable written notice to the Borrower, to enter upon, inspect and examine any portion of the Project at any time during regular business hours in such manner as not to interfere with the normal operations of the Borrower so far as practicable. Representatives of the Borrower may accompany the employees, members or representatives of the Issuer on the premises.

**Section 4.05 Amendment of Project.** The Project may be amended by the Borrower, in order to delete or substitute improvements included thereon or increase or decrease the scope thereof or to make changes within the Project as originally designed and planned, provided that (i) any amendment is within the definition of a "project" in the Enabling Act that the Issuer is authorized by law to undertake, (ii) any additional moneys required to pay any Cost of the Project resulting from such amendment are made available by the Borrower from legally available funds of the Borrower, and (iii) there is delivered to the Issuer and the Trustee a Certificate of the Borrower describing such amendment, together with a Favorable Opinion of Bond Counsel.

**Section 4.06 No Warranty by Issuer.** The Issuer makes no warranty, either express or implied, of the actual or designed capacity of the Project, of the suitability of the Project for the purposes specified in this Loan Agreement, of the condition of the Project or of the suitability of the Project for the Borrower's purposes or needs.

**Section 4.07 Covenants as to Use of Bond Proceeds and Other Matters, Payback Provisions and Other Matters.** The Borrower covenants and agrees that:

(a) Substantially all of the proceeds received from the sale of Bonds actually disbursed from the Project Fund in connection with the 2019 Project will be used for payment of Qualified Project Costs;

(b) Other than requisitions for Issuance Costs, the Borrower will not submit to the Trustee any requisition for a disbursement from the Project Fund for costs that are not Qualified Project Costs if, after the expenditure of such disbursement, less than Substantially All of the Net Proceeds of the Bonds and investment earnings thereon actually disbursed to that time would have been used to pay Qualified Project Cost;

(c) the Borrower will not submit to the Trustee any requisition for a disbursement from the Project Fund to pay Issuance Costs if, after the expenditure of such disbursement, more than two percent (2%) of the proceeds of the Bonds would have been or will be used to pay Costs of Issuance;

(d) in the event a disbursement is made which results in the covenants in paragraphs (a), (b) or (c) above being violated, the Borrower will promptly repay to the Trustee for deposit in the applicable Fund such amount as may be necessary for the Borrower to again be in compliance with paragraphs (a), (b) and (c) above; and

(e) none of the proceeds from the issuance of the Bonds shall be used to provide, any airplane, skybox or other private luxury box, health club facility (other than any health club facility that is used by the Borrower for a use that is directly related to its exempt purposes under Section 501(c)(3) of the Code), any facility primarily used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises.

**Section 4.08 Not-for Profit Status.** The Borrower agrees that it shall not perform any acts, enter into any agreements, carry on or permit to be carried on at the Project or any other facility owned by the Borrower or permit any of the facilities of the Borrower to be used in or for any trade or business, which shall adversely affect the basis for the Borrower's exemption from federal income taxation pursuant to Sections 501(c)(3) of the Code.

**Section 4.09 Damages, Destruction or Taking.**

(a) If prior to full payment of the Bonds (or provision thereof having been made in accordance with the provisions of the Indenture) the Project is destroyed (in whole or in part) or damaged by fire or other casualty, or title to the Project is defective to such extent that the claim for loss under any insurance policy is in excess of \$1,000,000, the Borrower shall promptly give written notice thereof to the Trustee. All net proceeds of insurance resulting from such claims for losses in excess of \$1,000,000 shall be held by the Borrower in a separate trust account and used for one or more of the following purposes: (a) to repair, rebuild or restore the property damaged or destroyed to substantially the same condition as it existed prior to the event causing such damage or destruction, with such changes, alterations and modifications (including substitution and addition of other property) as may be desired by the Borrower and as will not impair operating utility or the character of the Project or (b) to apply so much as may be necessary of the net proceeds of such insurance payment to the costs of such repair, rebuilding or restoration, either on completion thereof or as the work progresses, or (c) within two years of the date of loss, to acquire facilities of comparable value to the structure(s) destroyed or lost, or (d) within two years of the date of loss, to retire all or a portion of the Bonds which provided the proceeds for financing or refinancing of the portion of the Project destroyed or lost, to the extent and in the manner provided in Section 4 of the Bond; provided, however, prior to taking any such action, the Borrower shall have obtained a Favorable Opinion of Bond Counsel with respect to such application and the impact thereof on the Bonds.

(b) In the event the Project or any portion thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, unless the Bonds which provided the proceeds for the financing or refinancing of the portion of the Project taken have been retired or provision therefor has been made, the Borrower shall utilize the funds received from condemnation proceedings in the same manner as is provided above for insurance proceeds; provided, however, nothing herein shall diminish the Borrower's obligation to make payments under this Loan Agreement until the Bonds are paid in full; provided, however, prior to taking any such action, the Borrower shall have obtained a Favorable Opinion of Bond Counsel with respect to such application and the impact thereof on the Bonds.

**Section 4.10 Financing Statements.** The Borrower shall file or record or cause to be filed or recorded all financing statements, if any, that are required in order to fully protect and

preserve the security interests and the priority thereof and the rights and powers of the Trustee in connection therewith, including without limitation, all continuation statements for the purpose of continuing without lapse the effectiveness of (i) those financing statements which shall have been filed at or prior to the date of issuance of the Bonds in connection with the security for the Bonds pursuant to the authority of the applicable Uniform Commercial Code and (ii) any previously filed continuation statements that shall have been filed as required herein. Upon the filing of any such financing statement or continuation statement by a party other than the Trustee, the Borrower shall promptly notify and provide copies to the Trustee to evidence that the same has been accomplished.

**Section 4.11 Accreditation.** The Borrower is accredited by the Southern Association of Colleges and Schools Commission on Colleges and the Borrower has all State and local licenses and approvals required for the operation of its facilities. The Borrower agrees to maintain all State and local licenses and approvals required from time to time for the operation of its facilities as an institution of higher education. The Borrower also agrees to maintain its accreditation so long as it is in the best interest of the Borrower to do so and the failure to do so is not adverse to the best interests of the Bondholders of the Bonds, as determined by a resolution of the Borrower, and will not adversely affect the validity of or exclusion from gross income of interest on the Bonds. Immediately upon the loss of its accreditation, the Borrower agrees to deliver to the Issuer and the Trustee a Certificate of the Borrower stating that it is no longer accredited and the reason for its nonaccreditation.

## ARTICLE V SPECIAL COVENANTS

**Section 5.01 Arbitrage; Preservation of Tax-Exemption.** The Issuer covenants and agrees to take no action that would cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code, as implemented by such proposed, temporary and final Regulations as have been or may hereafter be adopted by the United States Treasury Department thereunder. The Borrower agrees and covenants that neither the proceeds of the Bonds nor the funds held by the Trustee under the Indenture will be used in such manner as to cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code, as implemented by such proposed, temporary and final Regulations as have been or may hereafter be adopted by the United States Treasury Department thereunder. (The parties hereto recognize that only the Borrower can direct the Trustee as to the expenditure of proceeds and investment of funds under the Indenture.) The Borrower further agrees and covenants not to take any action or direct that any action be taken, the result of which would cause or be likely to cause the interest payable with respect to the Bonds not to be excluded from gross income for federal income tax purposes. The Borrower will comply with the applicable requirements of Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Code to the extent necessary to preserve the exclusion of interest on the Bonds from gross income of the holders thereof for federal income tax purposes. The Borrower will comply in all respects with the Tax Compliance Agreement.

**Section 5.02 Certain Covenants with Respect to Compliance with Arbitrage Requirements for Investments in Nonpurpose Investments and Rebate to the United States of America.** Section 148(f) of the Code, as implemented by Section 1.148-1 to 1.148-11 of the Regulations, as applicable (the "Rebate Provisions"), requires that, with certain exceptions, the Issuer pay to the United States of America the Rebate Amount. The Borrower hereby assumes

and agrees to make all payments for deposit into the Rebate Fund, in accordance with the terms of Section 4.09 of the Indenture, to pay the Rebate Amount, consents to the payment of the Rebate Amount by the Trustee in accordance with the terms and provisions of Section 4.09 of the Indenture, and agrees to pay any amounts in addition to the Rebate Amount, including all interest and penalties, if any, related thereto to the extent that funds available therefor held by the Trustee under the Indenture are not sufficient for such purpose. The Borrower agrees to indemnify, protect and hold harmless the Issuer and the Trustee with respect to any nonpayment of the Rebate Amount and such interest and penalties, and with respect to the unavailability or insufficiency of funds with which to make such payments and with respect to any expenses or costs incurred by the Trustee in complying with the terms of Section 4.09 of the Indenture. The Borrower hereby agrees to fully and timely comply with the requirements of Section 4.09 of the Indenture.

**Section 5.03 Compliance with Law.** The Borrower shall conduct its operations in accordance with all material laws, regulations, requirements or orders of any federal, state or local agency, court or other governmental body applicable from time to time to the ownership or operation of the property of the Borrower to the extent necessary to permit the Borrower to comply with this Loan Agreement. The Borrower shall obtain and maintain all material permits, licenses and approvals necessary for the fulfillment of its obligations under this Loan Agreement. Nothing contained in this Section shall be construed to prevent the Borrower from contesting in good faith the validity of any such law, regulation, requirement or order and no Event of Default shall be deemed to have occurred hereunder during the period of such contest; provided that such contest shall not materially adversely affect the ability of the Borrower to comply with the provisions of this Loan Agreement.

To the extent that published rulings of the Internal Revenue Service, or amendments to the Code or the Regulations modify the covenants of the Borrower that are set forth in this Loan Agreement or that are necessary for interest on the Bonds to be or remain excludable from gross income for federal income tax purposes, the Borrower, upon receiving the written opinion of Bond Counsel to such effect, will comply, with such modifications and direct the Trustee to take such action as may be required to comply with such modifications.

**Section 5.04 Master Trust Indenture.** The Borrower represents that (a) the Master Trust Indenture is in full force and effect on the date hereof and (b) the Series 2019 Note shall be issued by the Borrower, on behalf of itself and the other Members of the Obligated Group (as defined in the Master Trust Indenture), to secure the obligations of the Borrower hereunder.

The Borrower covenants and agrees that it shall comply with the provisions of the Master Trust Indenture, to the extent applicable hereto.

**Section 5.05 Issuer to Assign Interest to Trustee.** The parties hereto agree that pursuant to the Indenture, the Issuer shall assign to the Trustee, in order to secure payment of the Bonds, all of the Issuer's right, title and interest in and to this Agreement, except for Reserved Rights.

## ARTICLE VI EVENTS OF DEFAULT AND REMEDIES

**Section 6.01 Events of Default.** The following shall be "Events of Default" under this Loan Agreement, and the terms "Event of Default" or "Default" shall mean, whenever they are used in this Loan Agreement, any one or more of the following events:

(a) an Event of Default as defined in Section 7.01(a) or (b) of the Indenture shall have occurred and be continuing;

(b) the Borrower shall fail to pay when due any payment required to be paid under Section 3.02(a);

(c) the Borrower shall fail to pay when due any other amount required to be paid under this Loan Agreement, which failure shall continue for a period of 30 days after Notice, specifying such failure and requesting that it be remedied, is given to the Borrower by the Trustee;

(d) the Borrower shall fail to perform, observe or comply with any other of the terms, covenants, conditions or provisions contained in this Loan Agreement, which failure shall continue for a period of 60 days after Notice thereof shall have been given to the Borrower by the Trustee, provided that, if the Borrower shall proceed and continue with due diligence to make any repair, restoration or replacement or take any curative action that, if begun and prosecuted with due diligence, cannot be completed within a period of 60 days, such event shall not constitute an Event of Default for such period as shall be necessary to enable the Borrower to complete such repair, restoration or replacement or other curative action through the exercise of due diligence;

(e) the Borrower shall become insolvent or the subject of insolvency proceedings or shall file a petition or other pleading seeking an "order for relief" within the meaning of the United States Bankruptcy Code, or shall file any petition or other pleading seeking any reorganization, composition, readjustment, liquidation of assets or similar relief for itself under any present or future law or regulation, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of the Borrower, or of substantially all of the assets of the Borrower, or shall make a general assignment for the benefit of creditors, or shall be unable or admit in writing its inability to pay its debts generally as they become due; or

(f) a petition or other pleading shall be filed against the Borrower seeking an "order for relief" within the meaning of the United States Bankruptcy Code or any reorganization, composition, readjustment, liquidation of assets or similar relief under any present or future law or regulation, and shall remain undismissed or unstayed for an aggregate period of 90 days (whether or not consecutive), or if, by an order or decree of a court of competent jurisdiction, the Borrower shall become the subject of an "order for relief" within the meaning of the United States Bankruptcy Code or relief shall be granted under or pursuant to any such petition or other pleading, or if, by order or decree of such court, there shall be appointed, without the consent or acquiescence of the Borrower, a trustee in bankruptcy or reorganization or a receiver or liquidator of the Borrower or of all or any substantial part of the property of the

Borrower, and any such order or decree shall have continued unvacated, unstayed on appeal or otherwise and in effect for a period of 90 days.

The provisions of paragraph (d) of this Section are subject to the following limitations: If by reason of acts of God, strikes, lockouts or other industrial disturbances, acts of public enemies, orders of any kind of the government of the United States or of the State of Florida, or any department, agency, political subdivision or official thereof, or any civil or military authority, insurrections, riots, infection, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accident to machinery, partial or entire failure of utilities, or any other cause or event not reasonably within the control of the Borrower, the Borrower is unable in whole or in part to carry out its agreements referred to in paragraph (d) of this Section, the Borrower shall not be deemed in default during the continuance of such inability. The Borrower shall use its best efforts to remedy with all reasonable dispatch the cause preventing it from carrying out its agreements, provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Borrower, and the Borrower shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party when such course is, in the judgment of the Borrower, unfavorable to the Borrower. Any failure of the Borrower to perform its obligations under Article III upon any notice or lapse of time or both provided in this Section shall constitute an Event of Default regardless of the reason for such failure to perform. An event of default under the Continuing Disclosure Agreement shall not be deemed to be an Event of Default hereunder or under the Indenture.

**Section 6.02 Remedies.** Upon the occurrence of an Event of Default, the Trustee may (i) except for a default with respect to compliance with the provisions of Sections 5.01 or 5.02 hereof or of the Tax Compliance Agreement, accelerate the payment of the amounts payable under this Loan Agreement upon Notice to the Borrower, whereupon the entire unpaid amount payable under this Loan Agreement immediately shall become due and payable without further demand upon the Borrower, and (ii) take any action at law or in equity to collect the payments due and thereafter to become due, or to enforce the performance and observance of any obligation, agreement or covenant of the Borrower under this Loan Agreement.

**Section 6.03 No Waiver of Rights.** No failure or delay by the Trustee in exercising any right, remedy, power or privilege hereunder or under the Indenture or any single or partial exercise thereof nor the exercise of any other right, remedy, power or privilege shall affect the rights, remedies, powers or privileges of the Issuer or the Trustee hereunder or shall operate as a waiver thereof. The rights, remedies, powers and privileges of the Issuer and the Trustee hereunder are cumulative and not exclusive of any other rights, remedies, powers or privileges now or hereafter existing at law or in equity.

**Section 6.04 Waiver of Default.** In the event that any agreement contained herein shall be breached by either party and such breach shall thereafter be waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

## ARTICLE VII PREPAYMENTS

**Section 7.01 Prepayment.** The Borrower shall have the right to prepay the Loan, in whole or in part, at any time, through voluntary prepayments which shall be deposited in the Redemption Fund, and the Borrower shall be required to timely make the prepayments of the Loan in order to carry out any redemption required by the terms of the Bonds and the Indenture. The Borrower shall direct in writing the Issuer to make an optional redemption of Bonds as permitted by the terms thereof and the terms of the Indenture and shall direct the application of amounts on deposit in the Redemption Fund as provided in Section 4.06 of the Indenture.

**Section 7.02 Redemption of Bonds.** The Borrower shall have the right to require the optional redemption of Bonds in accordance with Section 4 of the Bonds, upon Notice by the Borrower to the Trustee, which Notice shall be given at least three (3) days before the date on which notice of the redemption of the Bonds to be redeemed is required to be given to the holders (or such fewer number of days as shall be acceptable to the Trustee), and upon the payment or provision for payment by the Borrower to the Trustee for the account of the Issuer and the Trustee of an amount equal to the sum of (i) the aggregate principal amount of the Bonds to be redeemed, (ii) accrued interest thereon to the date that the Bonds are redeemed, (iii) redemption premiums, if any, due thereon on such redemption date in accordance with the provisions of the Bonds and the Indenture, and (iv) the Administrative Expenditures and all other reasonable costs of the Issuer and the Trustee in connection with such redemption, less the amount on deposit in the Debt Service Fund or the Redemption Fund available to be applied to the redemption of such Bonds. The Borrower shall timely make all payments or prepayments required to redeem Bonds as mandated by the terms of the Indenture and the Bonds and, to the extent required, shall direct the Issuer in writing to make the redemption of Bonds.

**Section 7.03 Redemption of Bonds by Application of Funds.** If at any time the moneys on deposit in the Debt Service Fund and the Redemption Fund are at least equal to the sum of (i) the aggregate principal amount of the Bonds then Outstanding, (ii) accrued interest thereon to the date that the Bonds are next redeemable and (iii) redemption premiums, if any, due thereon on the next applicable date for redemption permitted by the terms of the Bonds, all in accordance with the provisions of the Bonds and the Indenture, the Borrower, on behalf of the Issuer, may give notice to the Trustee of the Issuer's election to redeem all of the Bonds Outstanding.

**Section 7.04 Purchase in Lieu of Redemption.** The Borrower may, in accordance with the provisions of Section 3.04 of the Indenture, purchase, or direct the purchase of, any Bond that has been called for optional redemption; provided that the Borrower delivers to the Trustee a Favorable Opinion of Bond Counsel with respect thereto.

## ARTICLE VIII MISCELLANEOUS

**Section 8.01 Covenants for Benefit of Holders.** This Loan Agreement is executed in part to induce the purchase by others of the Bonds, and accordingly, all covenants and agreements on the part of the Borrower and the Issuer set forth in this Loan Agreement are hereby declared to be for the benefit of the Holders from time to time of the Bonds. This Loan

Agreement and any property and funds held by the Issuer or the Trustee pursuant to this Loan Agreement and the Indenture are held for the benefit of the holders of the Bonds and shall not be available to satisfy claims of holders of other issues of the Issuer's bonds or of any other creditors of the Issuer, including (without limitation) any judgment creditors or any secured or other lien creditors, whether such claims now exist or hereafter come into existence. Nothing in this Section shall be construed to give any Bondholder any rights to enforce any provisions hereof or to exercise any remedies herein provided except as otherwise provided in the Indenture.

**Section 8.02 Compliance with Indenture.** The Borrower recognizes that the Indenture contains provisions that relate to matters affecting the payment of Costs of the 2019 Project and the administration and investment of certain funds; the Borrower has reviewed the Indenture and hereby assents to all provisions of the Indenture. The Borrower shall take such action as may be necessary in order to enable the Issuer to comply with all requirements and to fulfill all covenants of the Indenture to the extent that compliance with such requirements and fulfillment of such covenants are dependent upon any observance or performance required of the Borrower by the Indenture or this Loan Agreement.

**Section 8.03 Actions of Borrower and Issuer.** The Borrower agrees that all actions heretofore or hereafter taken by it and all actions hereafter taken by the Issuer to carry out the Project upon the recommendation or request of any officer of the Borrower have been and will be in full compliance with the Indenture and this Loan Agreement. The Borrower acknowledges that any review of any such actions heretofore or hereafter made by the Issuer has been or will be solely for the protection of the Issuer. Neither such review nor any action taken by the Issuer to carry out the Project shall estop or otherwise preclude the Issuer or the Trustee from enforcing this Loan Agreement.

**Section 8.04 Issuer's Liability Limited.**

(a) Neither the execution and delivery of this Loan Agreement nor the carrying out of the financing of the 2019 Project or the refunding of the Refunded Bonds by the Issuer shall impose any personal liability on the members, officers, employees or agents of the Issuer. No recourse shall be had by the Borrower for any claims based on the Indenture or this Loan Agreement against any member, officer, employee or other agent of the Issuer in his individual capacity, all such liability, if any, being expressly waived by the Borrower by the acceptance of this Loan Agreement.

(b) In the exercise of the rights, remedies, powers and privileges of the Issuer under the Indenture or this Loan Agreement, the Issuer shall not be accountable to the Borrower for any action taken or omitted by it or its members, officers, employees and agents in good faith and believed by it or them to be authorized or within the discretion or rights, remedies, powers and privileges conferred. The Issuer and its members, officers, employees and agents shall be protected in its or their acting upon any paper or document believed by it or them to be genuine, and it or they may conclusively rely upon the advice of counsel as to matters of law and may (but need not) require further evidence of any fact or matter before taking any action.

(c) The Borrower shall and hereby agrees to indemnify and save the Issuer, and the officials, officers, agents and employees thereof, harmless against and from all claims by or on behalf of any person, firm, corporation or other legal entity arising from the conduct or

management of, or from any work or thing done on, or from the operation of, the Project during the term of this Loan Agreement, including without limitation, (i) any condition of the Project, (ii) any breach or default on the part of the Borrower in the performance of any of its obligations under this Loan Agreement, (iii) any act or negligence of the Borrower or of any of its agents, contractors, servants, employees or licensees or (iv) any act or negligence of any assignee or lessee of the Borrower, or of any agents, contractors, servants, employees or licensees of any assignee or lessee of the Borrower. The Borrower shall indemnify and save the Issuer harmless from any such claim arising as aforesaid, or in connection with any action or proceeding brought thereon, and upon notice from the Issuer, the Borrower shall defend them in any such action or proceeding using counsel reasonably acceptable to the Issuer.

(d) Notwithstanding the fact that it is the intention of the parties hereto that the Issuer shall not incur any pecuniary liability by reason of the terms of this Loan Agreement or the Indenture or the undertakings required of the Issuer hereunder or thereunder, by reason of the issuance of the Bonds, by reason of the execution of the Indenture or by reason of the performance of any act requested of the Issuer by the Borrower, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulation pertaining to the foregoing; nevertheless, if the Issuer should incur any such pecuniary liability, then in such event the Borrower shall indemnify and hold the Issuer harmless against all claims, demands or causes of action whatsoever, by or on behalf of any person, firm or corporation or other legal entity arising out of the same or out of any offering statement in connection with the sale of the Bonds and all costs and expenses incurred in connection with any such claim or in connection with any action or proceeding brought thereon, and upon notice from the Issuer, the Borrower shall defend the Issuer in any such action or proceeding, using counsel reasonably acceptable to the Issuer. All references to the Issuer in this Section 8.04 shall be deemed to include its members, directors, officers, employees, and agents.

(e) Notwithstanding anything to the contrary contained herein or in any of the Bonds, this Loan Agreement, the Indenture or in any other instrument or document executed by or on behalf of the Issuer in connection herewith, (i) the Issuer shall have no obligation, but may in its reasonable discretion, take action under this Loan Agreement, the Indenture, the Bonds or such other instruments or documents, if the Issuer is requested in writing by an Authorized Officer of the Borrower and is, at its request, provided with indemnity and assurances satisfactory to it or payment of or reimbursement for any expenses (including attorneys' fees) to be incurred in such action, (ii) no member of the Issuer or any officer, attorney, employee or agent of the Issuer shall be personally liable to the Borrower, the Trustee or any other person for any action taken by the Issuer or by its officers, attorney, agents or employees, or for any failure to take action, under this Loan Agreement, the Indenture, the Bonds or such other instruments or documents, except that the Issuer agrees to take or refrain from taking any action required by an order of mandamus or injunction or required to comply with any final judgment for specific performance; and (iii) any judgment rendered against the Issuer for breach of its obligations under this Loan Agreement, the Indenture, the Bonds or obligations under this Loan Agreement, the Indenture, the Bonds or such other instruments or documents, shall be payable solely by the Borrower and no personal liability or charge payable directly or indirectly from the general funds of the Issuer shall arise therefrom.

(f) The foregoing provisions of this Section 8.04 shall survive the payment, prepayment or redemption of the Bonds and the termination of this Loan Agreement and the Indenture.

(g) Notwithstanding anything to the contrary contained herein, the Borrower shall have no liability to indemnify the Issuer against claims or damages resulting from the Issuer's gross negligence or willful misconduct.

**Section 8.05 Indemnification of Trustee.** The Borrower shall at all times protect, indemnify and hold the Trustee, and its directors, officers, employees, agents and attorneys, harmless against any and all liability, losses, damages, costs, expenses, taxes, causes of action, suits, claims, demands and judgments of any nature arising from or in connection with the financing or refinancing of the Project, including, without limitation, all claims or liability resulting from, arising out of or in connection with the acceptance or administration of the Borrower Documents and the Indenture or the trusts thereunder or the performance of duties under the Borrower Documents or the Indenture or any loss or damage to property or any injury to or death of any Person that may be occasioned by any cause whatsoever pertaining to the Project or the use thereof, including without limitation any lease thereof or its acceptance of the assignment of the Issuer's interest in this Loan Agreement, such indemnification to include the reasonable costs and expenses of defending itself or investigating any claim of liability and other reasonable expenses and attorneys' fees incurred by the Trustee, and its directors, officers, employees, agents and attorneys, in connection therewith; provided that the benefits of this Section 8.05 shall not inure to any Person other than the Trustee, its directors, officers and employees; provided further that such loss, damage, death, injury, claims, demands or causes shall not have resulted from the negligence or willful misconduct of, the Trustee or such directors, officers, employees, agents and attorneys. The obligations of the Borrower under this Section 8.05 shall survive the termination of this Loan Agreement and the Indenture and the resignation or removal of the Trustee. Notwithstanding any other provision of this Loan Agreement or the Indenture to the contrary, the Borrower agrees not to assert any claim or institute any action or suit against the Trustee or its employees arising from or in connection with any investment of funds in Permitted Investments made by the Trustee in good faith as directed by an Authorized Officer.

**Section 8.06 Giving of Notice.** All notices required to be given or authorized to be given pursuant to this Loan Agreement shall be in writing and shall be deemed to have been given when received at (provided any notice sent by telegram, cable, telex or facsimile transmission is sent charges prepaid and confirmed by letter mailed as follows), or five Business Days after being sent by registered or certified mail, postage prepaid, addressed to:

In the case of the Issuer:

Higher Educational Facilities Financing Authority  
542 East Park Avenue  
Tallahassee, Florida 33201  
Attn: Ben Donatelli

In the case of the Borrower:

Saint Leo University Incorporated  
33701 SR 52  
Saint Leo, Florida 33574  
Attn: Chief Financial Officer

In the case of the Trustee:

U.S. Bank National Association  
225 E. Robinson Street, Suite 250  
Orlando, Florida 32801  
Attn: Global Corporate Trust

or to such other address as any of such parties shall specify by Notice given hereunder.

**Section 8.07 Amendment of Loan Agreement.** This Loan Agreement may be amended only by a writing executed by the parties and consented to (if required) as provided in the Indenture.

**Section 8.08 Counterparts.** This Loan Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original; but such counterparts together shall constitute but one and the same Loan Agreement.

**Section 8.09 Severability.** If any clause, provision or section of this Loan Agreement is held illegal or invalid by any court, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections hereof, and this Loan Agreement shall be construed and enforced as if such illegal or invalid clause, provision or section had not been contained herein. In case any agreement or obligation contained in this Loan Agreement is held to be in violation of law, such agreement or obligation shall nevertheless be determined to be the agreement or obligation of the Issuer or the Borrower, as the case may be, to the full extent permitted by law.

**Section 8.10 Integration Clause.** This Loan Agreement supersedes any other prior agreements or understandings written or oral, between the parties with respect to the financing or the refinancing of the Project, including (without limitation) the application letter submitted by the Borrower to the Issuer.

**Section 8.11 Florida Law.** This Loan Agreement is executed and delivered with the intent that the laws of the State of Florida, except for principles of conflict of laws shall govern.

[SIGNATURE PAGE FOLLOWS]



IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be duly executed and delivered as of the day and year first written above.

HIGHER EDUCATIONAL FACILITIES  
FINANCING AUTHORITY

By: \_\_\_\_\_  
Milton Jones, Chair

ATTEST:

By: \_\_\_\_\_  
Ben Donatelli, Secretary

SAINT LEO UNIVERSITY INCORPORATED

By: \_\_\_\_\_  
John Nisbet  
Vice President, Business Affairs

ATTEST:

By: \_\_\_\_\_  
James DeTuccio  
Vice President of Finance

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## APPENDIX F

### FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of May 1, 2019, is executed and delivered by Saint Leo University Incorporated (the “Obligor”), a Florida not for profit corporation, and Digital Assurance Certification LLC (“Dissemination Agent” or “DAC”), for the benefit of the Holders (hereinafter defined) of the Higher Educational Facilities Financing Authority Educational Facilities Revenue and Revenue Refunding Bonds (Saint Leo University Project), Series 2019 (the “Series 2019 Bonds”). Subject to the provisions set forth below, the Obligor covenants and agrees as follows:

The Series 2019 Bonds are being issued pursuant to an Indenture of Trust dated as of May 1, 2019 (the “Indenture”), between the Higher Educational Facilities Financing Authority (the “Authority”) and U.S. Bank National Association, as trustee and loaned to the Obligor pursuant to a Loan Agreement dated as of May 1, 2019 (the “Loan Agreement”) between the Obligor and the Authority.

**SECTION 1. PURPOSE OF DISCLOSURE AGREEMENT.** This Disclosure Agreement is being executed and delivered by the Obligor for the benefit of the Holders and in order to assist the underwriter of the Series 2019 Bonds in complying with the continuing disclosure requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission (“SEC”) pursuant to the Securities Exchange Act of 1934, as amended (the “Rule”).

**SECTION 2. DEFINITIONS.** Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Indenture, the Loan Agreement or in the Rule.

“Event of Bankruptcy” shall be considered to have occurred when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person (as defined in the Rule) in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

“Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligations; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities, as to which a final official statement has been provided to the Municipal Securities Rulemaking Board (the “MSRB”) consistent with the Rule.

“Holder” means any person (i) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2019 Bonds (including persons holding Series 2019 Bonds through nominees, depositories or other intermediaries) or (ii) treated as the owner of any Series 2019 Bonds for federal income tax purposes.

**SECTION 3. ANNUAL INFORMATION.** In accordance with the provisions of the Rule, the Obligor shall provide or cause to be provided, to the Electronic Municipal Market Access System operated by the MSRB, or such other system as permitted under the Rule (the “EMMA System”), if any, on or before December 27 (which is 180 days after the end of the Obligor’s fiscal year) each year, commencing December 27, 2019 (A) the following information with respect to the prior fiscal year, an update of the annual financial information and operating data of the Obligor, consistent with the type of financial information and data included in Appendix A to the Official Statement prepared for the Series 2019 Bonds (the “Official Statement”): (i) the demand and occupancy rates for the Obligor’s on-campus housing facilities, in the manner reflected on the chart in Appendix A; (ii) annual revenue derived from on-campus housing, in the manner reflected on the chart in Appendix A; (iii) total full-time student fall enrollment for Fall 1 semester broken out by undergraduate campus, undergraduate worldwide and graduate worldwide, shown in full-time equivalents, in the manner reflected on the chart in Appendix A; (iv) application, acceptance and matriculation ratios for new students entering in the fall terms, in the manner reflected in the chart in Appendix A; (v) the Obligor’s unrestricted net operating surplus and operating surplus available for debt service, in the manner reflected in the table in Appendix A; (vi) the market value of the Obligor’s investments, in the manner reflected in the table in Appendix A; (vii) the Obligor’s total net assets and expendable net assets, in the manner reflected in the table in Appendix A; and (viii) calculation of the Liquidity Requirement for the most recent Testing Date; and (B) annual audited financial statements with respect to the prior fiscal year prepared in accordance with generally accepted accounting principles. If audited financial statements are not available at the time of required filings as set forth above, unaudited financial statements shall be filed pending the availability of audited financial statements. (The information required to be disclosed in this Section 3 shall be referred to herein as the “Annual Disclosure Filing”).

The Obligor reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Obligor; provided that the Obligor agrees that any such modification will be done in a manner consistent with the Rule.

**SECTION 4. SPECIFIED EVENTS.** The Obligor agrees to provide or cause to be provided to the EMMA System, in a timely manner not in excess of ten (10) business days after the occurrence of the event:

- (1) principal and interest payment delinquencies on the Series 2019 Bonds;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Series 2019 Bonds, or other material events affecting the tax status of the Series 2019 Bonds;
- (7) modifications to rights of the Holders of the Series 2019 Bonds, if material;

- (8) Series 2019 Bond calls, if material (other than scheduled mandatory redemptions), and tender offers;
- (9) Series 2019 Bond defeasances;
- (10) release, substitution, or sale of property securing repayment of the Series 2019 Bonds, if material;
- (11) rating changes;
- (12) an Event of Bankruptcy or similar event of an Obligated Person;
- (13) the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect Holders of the Series 2019 Bonds, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

**SECTION 5. NOTICE OF FAILURE TO PROVIDE ANNUAL DISCLOSURE FILING.** The Obligor agrees to provide or cause to be provided, in a timely manner, to the EMMA System, notice of a failure by the Obligor to provide the Annual Disclosure Filing described in Section 3 above on or prior to the date set forth therein.

**SECTION 6. REPOSITORIES.** As of the date of issuance of the Series 2019 Bonds, the Obligor shall provide the information described in Sections 3, 4 and 5 above, to the extent required, to the EMMA System in an electronic format prescribed by the MSRB at the following Internet address: <http://emma.msrb.org/> or such other address or system as designated by the MSRB in compliance with the Rule.

**SECTION 7. REMEDIES; NO EVENT OF DEFAULT.** The Obligor agrees that its undertaking pursuant to the Rule set forth above is intended to be for the benefit of the Holders of the Series 2019 Bonds and shall be enforceable by any such Holder; provided that the right to enforce the provisions of this undertaking shall be limited to a right to obtain specific performance of the Obligor's obligations hereunder and any failure by the Obligor to comply with the provisions of this undertaking shall not be an event of default with respect to the Series 2019 Bonds under the Indenture or any other related financing document. The covenants contained herein are solely for the benefit of the Holders of the Series 2019 Bonds and shall not create any rights in any other parties.

**SECTION 8. SEPARATE BOND REPORT NOT REQUIRED; INCORPORATION BY REFERENCE; FORMAT OF FILING.** The requirements of this Disclosure Agreement do not necessitate the preparation of any separate report addressing only the Series 2019 Bonds. These requirements may be met by the filing of a combined bond report; provided, such report includes all of the required information and is available by November 27. Additionally, the Obligor may incorporate any information provided in any prior filing with the EMMA System or other information filed with the SEC or included in any final official statement of the Obligor; provided, such final official statement is filed with the EMMA System. Any voluntary inclusion by the Obligor of information in its Annual Disclosure Filing of supplemental information that is not required hereunder shall not expand the obligations of the Obligor hereunder and the Obligor shall have no obligation to update such supplemental information or include it in any subsequent report.

Any report or filing with the EMMA System pursuant to this Disclosure Agreement must be accompanied by such identifying information as is prescribed by the MSRB. Such information may include, but not be limited to: (a) the category of information being provided; (b) the period covered by any annual financial information, financial statement or other financial information or operation data; (c) the issues or specific securities to which such documents are related (including CUSIPs, Obligor name, state, issue description/securities name, dated date, maturity date, and/or coupon rate); (d) the name of any Obligated Person other than the Obligor; (e) the name and date of the document being submitted; and (f) contact information for the submitter of such filing.

**SECTION 9. DISSEMINATION AGENTS.** The Obligor may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such agent, with or without appointing a successor dissemination agent. If at any time, the Dissemination Agent shall resign or be removed and a successor shall not be appointed, the Obligor shall perform all obligations and responsibilities related thereto and described herein. The Obligor hereby appoints DAC as the Dissemination Agent hereunder. DAC hereby accepts such appointment and all of the obligations and responsibilities related thereto and described herein.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Obligor has provided such information to the Dissemination Agent as required by this Disclosure Agreement. The Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Obligor and shall not be deemed to be acting in any fiduciary capacity for the Obligor, the Issuer, the Holders of the Series 2019 Bonds or any other party. The Dissemination Agent shall have no responsibility for the Obligor's failure to report to the Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Obligor has complied with this Disclosure Agreement. The Dissemination Agent may conclusively rely upon Certifications of the Obligor at all times.

The obligations of the Obligor under this Section shall survive resignation or removal of the Dissemination Agent and defeasance, redemption or payment of the Series 2019 Bonds.

(b) The Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Obligor.

**SECTION 10. TERMINATION.** The Obligor's obligations under this Disclosure Agreement shall cease (A) upon the legal defeasance, prior redemption, or payment in full of all of the Series 2019 Bonds, or (B) when the Obligor no longer remains an Obligated Person with respect to the Series 2019 Bonds within the meaning of the Rule, or (C) upon the termination of the continuing disclosure requirements of the Rule by legislative, judicial or administrative action.

**SECTION 11. AMENDMENTS.** The Obligor reserves the right to amend the provisions of this Disclosure Agreement as may be necessary or appropriate to achieve its compliance with any applicable federal securities law or rule, to cure any ambiguity, inconsistency or formal defect or omission, and to address any change in circumstances arising from a change in legal requirements, change in law, or change in the identity, nature, or status of the Obligor, or type of business conducted by the Obligor. Any such amendment shall be made only in a manner consistent with the Rule and any amendments and interpretations thereof by the SEC. Additionally, compliance with any provision of this Disclosure Agreement may be waived. Any such amendment or waiver will not be effective unless this Disclosure Agreement (as amended or taking into account such waiver) would have complied with the requirements of the Rule at the time of the primary offering of the Series 2019 Bonds, after taking into account any applicable amendments to or official interpretations of the Rule, as well as any change in circumstances, and until the Obligor shall have received either (i) a written opinion of bond counsel or other qualified independent special counsel selected by the Obligor that is nationally recognized in the area of Federal Securities laws that the amendment or waiver would not materially impair the interests of Holders of the Series 2019 Bonds, or (ii) the written consent to the amendment or waiver of the Holders of at least a majority of the principal amount of the Series 2019 Bonds then outstanding. Annual Information containing any amended operating data or financial information shall explain, in narrative form, the reasons for any such amendment and the impact of the change on the type of operating data or financial information being provided. Additionally, in the year in which any change in accounting principles is made, the Obligor shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 12. OBLIGATED PERSONS.** If any person other than the Obligor becomes an Obligated Person relating to the Series 2019 Bonds, the Obligor shall use its best efforts to require such Obligated Person to comply with all provisions of the Rule applicable to such Obligated Person.

The Dissemination Agent and the Obligor have caused this Disclosure Agreement to be executed, on the date first above written, by their respective officers duly authorized.

**SAINT LEO UNIVERSITY INCORPORATED,** a  
Florida not for profit corporation

By: \_\_\_\_\_  
Title: \_\_\_\_\_

**DIGITAL ASSURANCE CERTIFICATION LLC,** as  
Dissemination Agent

By: \_\_\_\_\_  
Title: \_\_\_\_\_

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## **APPENDIX G**

### **FORM OF OPINION OF BOND COUNSEL**

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[Date of delivery]

Saint Leo University Incorporated  
Saint Leo, Florida

Higher Educational Facilities  
Financing Authority  
Tallahassee, Florida

U.S. Bank National Association, as trustee  
Orlando, Florida

Re: \$68,935,000 Higher Educational Facilities Financing Authority  
Educational Facilities Revenue and Revenue Refunding Bonds (Saint Leo  
University Project), Series 2019

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the Higher Educational Facilities Financing Authority (the "Authority"), of its Educational Facilities Revenue and Revenue Refunding Bonds (Saint Leo University Project), Series 2019, in the original aggregate principal amount of \$68,935,000 (the "Series 2019 Bonds").

All terms used herein in capitalized form and not otherwise defined herein shall have the same meanings as ascribed to them under the Loan Agreement (the "Agreement") between the Authority and Saint Leo University Incorporated, a Florida not-for-profit corporation (the "Borrower"), dated as of May 1, 2019 and the Indenture of Trust (the "Bond Indenture") between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), dated as of May 1, 2019.

The description of the Series 2019 Bonds in this opinion and other statements concerning the terms and conditions of the issuance of the Series 2019 Bonds do not purport to set forth all of the terms and conditions of the Series 2019 Bonds, the Master Trust Indenture, the Bond Indenture or the Agreement, or any other document relating to the issuance of the Series 2019 Bonds, but are intended only to identify the Series 2019 Bonds and to describe briefly certain features thereof.

The Series 2019 Bonds are dated the date of their initial authentication and delivery, were issued in fully registered form, and bear interest on the outstanding principal balance thereof, from the date thereof, at the interest rates described in the Bond Indenture. The Series 2019 Bonds shall finally mature on March 1, 2049. The Series 2019 Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity in the manner and upon the terms and conditions set forth in the Bond Indenture.

The Series 2019 Bonds are payable both as to principal and interest from certain revenues payable by the Borrower to the Authority under the Agreement and from certain other sources, as more particularly described in the Bond Indenture. The Authority's rights under the Agreement (with certain exceptions) have been assigned to the Trustee pursuant to the terms of the Bond Indenture.

The Series 2019 Bonds are being issued to finance, refinance and reimburse the acquisition, construction and equipping of the 2019 Project to be owned and operated by the Borrower and to refinance the obligations of the Borrower with respect to the Refunded Bonds (and thereby refinance the Refunded Projects), which amount the Borrower has represented will, together with other available funds of the Borrower, be sufficient to pay all of the costs of financing and refinancing the 2019 Project, refinancing the Refunded Projects, funding any necessary reserves, to the extent applicable, capitalizing a portion of the interest on the Series 2019 Bonds, and paying costs of issuance of the Series 2019 Bonds.

The Series 2019 Bonds and the obligations evidenced thereby do not constitute a general debt, liability or obligation of the Authority or the State of Florida or any political subdivision or agency thereof, or a pledge of the faith and credit of the Authority or the full faith and credit or taxing power of the State of Florida or any political subdivision or agency thereof. The Authority is not obligated to pay the indebtedness evidenced by the Series 2019 Bonds or any interest thereon or premium with respect thereto except from amounts payable to it under the Agreement, or from other collateral pledged therefor, and neither the faith and credit of the Authority nor the faith and credit or the taxing power of the State of Florida or any political subdivision or agency thereof is pledged to pay the principal of, premium, if any, or interest on the Series 2019 Bonds. The Authority has no taxing power.

In rendering the opinions set forth below, we have examined certified copies of Resolution No. 2019-1 and Resolution No. 2019-2, each adopted by the Authority on May 1, 2019 (collectively, the "Resolutions"), a copy of the minutes from the public hearing of the Authority held on February 6, 2019, certified copies of the resolutions adopted by the Board of Trustees of the Borrower on February 8, 2019, and executed copies of the Bond Indenture, the Agreement, the Master Trust Indenture, the Series 2019 Note, the Tax Regulatory Agreement and No Arbitrage Certificate dated May 16, 2019, between the Authority and the Borrower (the "Tax Regulatory Agreement"), and various other agreements, certificates and opinions delivered in connection therewith, and are relying on the covenants and agreements of the Borrower, the Authority and the Trustee contained therein, including, without limitation, the covenants of the Borrower and the Authority to comply with the applicable requirements contained in Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder (the "Code"), to the extent necessary to preserve the exclusion of interest on the Series 2019 Bonds from gross income for federal income tax purposes.

We have also examined affidavits of publication of the (i) *Tallahassee Democrat* dated January 22, 2019, and (ii) the *Tampa Bay Times* dated January 21, 2019, and the approval by the Governor dated March 18, 2019, related to the issuance of the Series 2019 Bonds pursuant to Section 147(f) of the Code, and other proofs submitted to us relative to the issuance and sale by the Authority of the Series 2019 Bonds. We have examined and relied upon the opinion dated the date hereof of Squire Patton Boggs (US) LLP, counsel to the Authority as to the due organization and valid existence of the Authority, the due adoption of the Resolutions and the due authorization, execution and delivery of the Series 2019 Bonds, the Agreement, the Bond Indenture and the other documents related thereto to which the Authority is a party, and such other agreements, documents and opinions, including certificates and representations of public officials, officers and representatives of the Borrower and various other parties participating in this transaction as we have deemed relevant and necessary in connection with the opinions set forth below. We have also examined and relied upon the opinion of the Kelly Hill, Esq., General Counsel of the Borrower as to (i) the status of the Borrower as an organization exempted from federal income taxation by Section 501(a) of the Code, as an organization described in Section 501(c)(3) of the Code, (ii) the determination that the Borrower will not, as a result of the transactions contemplated by the Resolutions, the Agreement, the Bond Indenture, the Master Trust Indenture, the Supplemental Trust Indenture, except to the extent described in the opinion and the Tax Regulatory Agreement, use any of the facilities financed and refinanced with the proceeds of the Series 2019 Bonds in any activity constituting an unrelated traded or business within the meaning of Section 513 of the Code, and (iii) as to other matters set forth therein. We have not undertaken an independent audit, examination, investigation or inspection of the matters described or contained in such certificates, agreements, documents, representations and opinions, and have relied solely on the facts, estimates and circumstances described and set forth therein.

In our examination of the foregoing, we have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

The opinions set forth below are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the federal income tax laws of the United States of America.

Based upon and subject to the foregoing, we are of the opinion that, as of the date hereof and under existing law:

- (1) The Bond Indenture and the Agreement have been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery thereof by the other parties thereto, are valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms.

(2) The Series 2019 Bonds are valid, legally binding and enforceable special obligations of the Authority, payable solely from certain revenues derived from the Agreement and certain other collateral pledged or encumbered therefor, in the manner described in the Resolution, the Master Trust Indenture, the Bond Indenture, the Agreement and the Series 2019 Bonds.

(3) The interest on the Series 2019 Bonds (which is defined to include any original issue discount properly allocable to the holder thereof) is excludable from gross income for federal income tax purposes. Moreover, such interest will not be treated as an item of tax preference in computing the federal alternative minimum tax imposed on certain taxpayers other than corporations (as defined for federal income tax purposes). The opinions expressed in this paragraph (3) are conditioned upon compliance with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2019 Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority and the Borrower have covenanted to comply with such requirements. Failure of the Authority or the Borrower to comply with such requirements could cause the interest on the Series 2019 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2019 Bonds. Other provisions of the Code may give rise to adverse federal income tax consequences to particular holders of the Series 2019 Bonds. The scope of this opinion is limited to matters addressed above and no opinion is expressed hereby regarding other federal income tax consequences that may arise due to ownership of the Series 2019 Bonds.

Our opinions expressed herein are predicated upon current facts and circumstances, and upon present laws and interpretations thereof, and we assume no affirmative obligation to update the opinions expressed herein if such facts or circumstances, or laws or interpretations thereof, change after the date hereof, even if such changes come to our attention. We express no opinion regarding any state tax consequences of acquiring, carrying, owning or disposing of Series 2019 Bonds. Owners of the Series 2019 Bonds should consult their tax advisors regarding the applicability of any state tax consequences of owning the Series 2019 Bonds.

All opinions as to legal obligations of the Authority and the Borrower set forth above are subject to and limited by (i) bankruptcy, insolvency, reorganization, moratorium or similar laws, in each case relating to or affecting the enforcement of creditors' rights, (ii) applicable laws or equitable principles that may affect remedies or injunctive or other equitable relief, and (iii) judicial discretion which may be exercised in applicable cases to adversely affect the enforcement of certain rights or remedies.

This letter shall not be deemed or treated as an offering circular, prospectus or official statement, and is not intended in any way to be a disclosure document used in connection with the sale or delivery of the Series 2019 Bonds.

The scope of our engagement in relation to the issuance of the Series 2019 Bonds as Bond Counsel has been limited solely to the examination of facts and law incident to rendering the opinions expressed herein. We have not been engaged, nor have we undertaken, to confirm or verify, and therefore express no opinion as Bond Counsel to, the accuracy, completeness, fairness or sufficiency of the Official Statement related to the Series 2019 Bonds or any exhibits or appendices thereto or any other offering material relating to the Series 2019 Bonds and therefore express no opinion in regard thereto, except as otherwise set forth in our opinions to the underwriter, the Borrower and the Authority each dated as of the date hereof. We have not passed upon and therefore express no opinion as to the compliance by the Authority, the Borrower, or any other party involved in this financing with, or the necessity of such parties complying with, any federal or state registration requirements or security statutes, regulations or rulings with respect to the offer, sale or distribution of the Series 2019 Bonds.

Our opinion is limited solely to the matters stated herein, and no opinion is to be implied or is intended beyond the opinions expressly stated herein.

Sincerely yours,

HOLLAND & KNIGHT LLP

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